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LEGISLATIVE HISTORY

Public Law 248--79th Congress

Chapter 557--1st Session

H. R. 3660

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DIGEST OF PUBLIC LAW 248

PUBLIC LAW 248. GOVERNMENT CORPORATION CONTROL ACT. Provides for submission of annual, business-type budgets by each wholly owned Government corporation by September 15 of each year; authorizes the President to change such budgets; requires him to submit them to Congress as parts of the regular Budget, beginning with the fiscal year 1947; and authorizes amendments to the Budgets from time to time. Provides for consideration of these budgets by Congress and the enactment of legislation, if necessary, making financial resources available. Provides that this requirement shall not prevent such corporations from making commitments without regard to fiscal-year limitations. Provides for commercial-type audits of the financial transactions of wholly owned and mixed-ownership Government corporations by the General Accounting Office, commencing with the fiscal year 1947 (some of the audit requirements were already in effect under the George Act). Requires the Comptroller General to report to Congress on his audits for each fiscal year, not later than the following January 15. Permits the Budget Director, with the President's approval, to make recommendations as to these corporate fiscal activities which could be handled in the same manner as those of a regular Government agency. Directs the President to include in the annual Budget any recommendations he may have as to the return of Government capital to the Treasury by mixed-ownership corporations. Requires reimbursement by the corporations to G. A. O. for the cost of audits, prohibits use of Government corporation funds for additional contracts for private audits, re-

quires G. A. O. to use to the fullest practicable extent reports on Government corporations made by supervising administrative agencies, and provides that audits under this Act shall be in lieu of existing requirements of law. Except for certain F. C. A. agencies, provides for the keeping of banking and checking accounts of Government corporations with the U. S. Treasurer, Federal Reserve Banks, or others designated by Treasury, unless Treasury waives this provision. Requires Government-corporation obligations which are offered to the public to be approved as to terms and conditions by Treasury. Prohibits sale or purchase of U. S. obligations by Government corporations and interest in excess of \$100,000 without Treasury approval; exempts certain F. C. A. agencies from this requirement but requires them to consult with Treasury. Prohibits any corporation from being set up or acquired by the Government without congressional approval. Requires liquidation of all Government corporations set up under State or local law, by June 30, 1948, but provides for reincorporation of such corporations by Congress.

INDEX AND SUMMARY OF HISTORY ON H. R. 3660

February 5, 1945	S. 469 introduced by Mr. Byrd and referred to the Senate Committee on Banking and Currency. Print of the bill as introduced. (Companion bill)
February 7, 1945	H. R. 2051 introduced by Mr. Case and referred to the House Committee on Expenditures. Print of the bill as introduced. (Companion bill)
February 14, 1945	H. R. 2177 introduced by Mr. Whittington and referred to the House Committee on Expenditures. Committee print and print of the bill as introduced. (Companion bill)
April 20, 1945	Hearings: Senate, S. 469.
May 23, 1945	Hearings: House, H. R. 2177.
July 3, 1945	H. R. 3660 introduced by Mr. Whittington and referred to the House Committee on Expenditures in the Executive Departments. Print of the bill as introduced.
July 5, 1945	House Committee on Expenditures reported H. R. 3660 without amendment. House Report 856. Print of the bill as reported.
September 6, 1945	Rules Committee reported H. Res. 339 for consideration of H. R. 3660. House Report 942. Print of the Resolution and Report.
September 12, 1945	H. R. 3660 debated in House and passed without amendment.
September 13, 1945	Speech of John W. Flannagan, Jr. on Financial Control of Government Corporations.
September 14, 1945	H. R. 3660 referred to Senate Committee on Banking and Currency. Print of the bill as referred to the Committee.
November 2, 1945	Senate Committee reported H. R. 3660 without amendment. Senate Report 694. Print of the bill as reported.
November 23, 1945	Discussed in Senate and passed as reported.
December 6, 1945	Approved. Public Law 248.

S. 469

FEBRUARY 5, 1945

A BILL

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Government Corporation
4 Control Act”.

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

1 TITLE I—WHOLLY OWNED GOVERNMENT
2 CORPORATIONS

3 SEC. 101. As used in this Act the term "wholly owned
4 Government corporation" means the Commodity Credit Cor-
5 poration; Federal Intermediate Credit Banks; Production
6 Credit Corporations; Regional Agricultural Credit Corpora-
7 tions; Farmers Home Corporation; Federal Crop Insurance
8 Corporation; Federal Farm Mortgage Corporation; Federal
9 Surplus Commodities Corporation; Reconstruction Finance
10 Corporation; Defense Plant Corporation; Defense Supplies
11 Corporation; Metals Reserve Company; Rubber Reserve
12 Company; War Damage Corporation; Federal National
13 Mortgage Association; The RFC Mortgage Company;
14 Disaster Loan Corporation; Inland Waterways Corporation;
15 Warrior River Terminal Company; The Virgin Islands Com-
16 pany; Federal Prison Industries, Incorporated; United States
17 Spruce Production Corporation; Institute of Inter-American
18 Affairs; Institute of Inter-American Transportation; Inter-
19 American Educational Foundation, Incorporated; Inter-
20 American Navigation Corporation; Prencinradio, Incor-
21 porated; Cargoes, Incorporated; Export-Import Bank of
22 Washington; Petroleum Reserves Corporation; Rubber De-
23 velopment Corporation; United States Commercial Com-
24 pany; Smaller War Plants Corporation; Federal Public
25 Housing Authority (or United States Housing Authority)

1 and including public housing projects financed from appro-
2 priated funds and operations thereof; Defense Homes Cor-
3 poration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Federal Deposit Insurance Corporation;
6 Panama Railroad Company; Tennessee Valley Authority;
7 Tennessee Valley Associated Cooperatives, Incorporated;
8 and any other corporation which is wholly owned by the
9 United States Government or by any agency thereof, includ-
10 ing Government corporations.

11 SEC. 102. Each wholly owned Government corporation
12 shall cause to be prepared annually a budget program
13 covering all operations for the ensuing fiscal year with
14 comparisons with the current fiscal year and the last com-
15 pleted fiscal year. Such budget programs shall be submitted
16 to the Bureau of the Budget at the time prescribed for
17 the submission of the estimates of appropriations by the
18 regular Government departments and establishments and
19 shall be transmitted by the President to the Congress in
20 the annual Budget; except that the first budget programs
21 shall be submitted as soon as practicable after the date
22 of enactment of this Act.

23 SEC. 103. The Bureau of the Budget, under such rules
24 and regulations as the President may establish, is authorized
25 and directed to prescribe the form and content of, and the

1 manner in which such budget programs shall be prepared
2 and presented; but all such budget programs shall contain
3 specific estimates of administrative expenses and estimates
4 of necessary borrowing by the corporation concerned, to-
5 gether with the estimates of the amount of Government
6 capital funds which shall be returned to the Treasury
7 during the fiscal year or the appropriations required to
8 provide for the reissuance of authorized capital or the
9 restoration of capital impairments. Such budget programs
10 shall be considered and shall be included in the annual
11 Budget in the same manner, as nearly as practicable, as
12 are the estimates and other information submitted in ac-
13 cordance with the Budget and Accounting Act, 1921.
14 Budget programs so submitted to the Congress shall be
15 considered and approved, modified, or prohibited by it, in
16 the same manner, as nearly as practicable, as appropriations
17 are considered and made by Congress.

18 The Budget program may, whenever deemed neces-
19 sary, include and set forth specifically, requests for authori-
20 zation to cover possible emergency or contingent operations
21 in the ensuing year, but operations thereunder shall be
22 initiated only after approval by the President and shall be
23 reported to the Congress from time to time but not later
24 than the time for transmittal of the next annual Budget.

25 SEC. 104. No wholly owned Government corporation

1 shall transact any business in any fiscal year except such
2 business as is authorized by Act of Congress as a part of its
3 budget program for such fiscal year, and no expenditures
4 for administrative expenses in any fiscal year shall be
5 made by any such corporation except in the amounts author-
6 ized and made available by Congress for such fiscal year.
7 No funds so made available by the Congress for administra-
8 tive expenses shall be obligated or expended unless and
9 until an appropriation account shall have been established
10 therefor pursuant to an appropriation warrant or a covering
11 warrant, and funds so made available shall be subject to
12 apportionment by the Bureau of the Budget, and claims and
13 accounts thereunder to adjustment and settlement by the
14 General Accounting Office under title III of the Budget and
15 Accounting Act, 1921. This section shall take effect with
16 respect to wholly owned Government corporations or groups
17 of corporations at the earliest possible date following the
18 enactment of this Act, as determined by the President, but
19 no later than July 1, 1946.

20 SEC. 105. The financial transactions of wholly owned
21 Government corporations shall be audited by the General
22 Accounting Office in accordance with the principles and
23 procedures applicable to commercial corporate transactions
24 and under such rules and regulations as may be prescribed
25 by the Comptroller General of the United States. The audit

1 shall be conducted at the place or places where the accounts
2 of the respective corporations are normally kept. The rep-
3 resentatives of the General Accounting Office shall have
4 access to all books, accounts, financial records, reports, files,
5 and all other papers, things, or property belonging to or in
6 use by the respective corporations and necessary to facilitate
7 the audit, and they shall be afforded full facilities for verify-
8 ing transactions with the balances or securities held by
9 depositaries, fiscal agents, and custodians. The audit shall
10 begin with the first fiscal year commencing after the enact-
11 ment of this Act.

12 SEC. 106. A report of each such audit for each fiscal
13 year ending on June 30 shall be made by the Comptroller
14 General to the Congress not later than January 15 following
15 the close of the fiscal year for which such audit is made.
16 The report shall set forth the scope of the audit and shall
17 include a statement (showing intercorporate relations) of
18 assets and liabilities, capital and surplus or deficit; a state-
19 ment of surplus or deficit analysis; a statement of income
20 and expense; and such comments and information as may
21 be deemed necessary to keep Congress informed of the opera-
22 tions and financial condition of the several corporations,
23 together with such recommendations with respect thereto as
24 the Comptroller General may deem advisable, including a
25 report of any impairment of capital noted in the audit and

1 recommendations for the return of such Government capital
2 or the payment of such dividends as, in his judgment, should
3 be accomplished. The report shall also show how the budget
4 program (herein provided) was executed and specifically
5 any program, expenditure, or other financial transaction or
6 undertaking, which, in the opinion of the Comptroller Gen-
7 eral, has been carried on or made without authority of law.
8 A copy of each report shall be furnished to the President and
9 to the corporation concerned at the time submitted to the
10 Congress.

11 SEC. 107. No additional Government capital or paid-in
12 surplus shall be subscribed or paid in to any wholly owned
13 Government corporation except pursuant to specific appro-
14 priation therefor hereafter made.

15 SEC. 108. Whenever it is deemed by the Director of
16 the Bureau of the Budget, with the approval of the Presi-
17 dent, to be practicable and in the public interest that any
18 wholly owned Government corporation be treated with re-
19 spect to its appropriations, expenditures, receipts, accounting
20 and other fiscal matters as if it were a Government agency
21 other than a corporation, the Director shall include in con-
22 nection with the budget program of such corporation in
23 the Budget a recommendation to that effect. If the Congress
24 approves such recommendation in connection with the budget
25 program for any fiscal year, such corporation, with respect

1 to subsequent fiscal years, shall be regarded as an estab-
2 lishment other than a corporation for the purposes of the
3 Budget and Accounting Act, 1921, and other provisions of
4 law relating to appropriations, expenditures, receipts, ac-
5 counts, and other fiscal matters, and shall not be subject to
6 the provisions of this Act other than this section. The
7 corporate entity shall not be affected by this section.

8 TITLE II—MIXED OWNERSHIP GOVERNMENT
9 CORPORATIONS

10 SEC. 201. As used in this Act the term “mixed-owner-
11 ship Government corporations” means (1) the Central
12 Bank for Cooperatives and the regional banks for coopera-
13 tives, (2) Federal land banks, and (3) Federal home-loan
14 banks. Any of such banks from which Government capital
15 has been entirely withdrawn, and during the period such
16 bank remains without Government capital, shall not be
17 subject to the provisions of this title.

18 SEC. 202. The financial transactions of mixed-owner-
19 ship Government corporations shall be audited by the Gen-
20 eral Accounting Office in accordance with the principles
21 and procedures applicable to commercial corporate transac-
22 tions and under such rules and regulations as may be pre-
23 scribed by the Comptroller General of the United States.
24 The Audit shall be conducted at the place or places where
25 the accounts of the respective corporations are normally

1 kept. The representatives of the General Accounting Office
2 shall have access to all books, accounts, financial records,
3 reports, files, and all other papers, things, or property be-
4 longing to or in use by the respective corporations and neces-
5 sary to facilitate the audit, and they shall be afforded full
6 facilities for verifying transactions with the balances or se-
7 curities held by depositaries, fiscal agents, and custodians.
8 The audit shall begin with the first fiscal year commencing
9 after the enactment of this Act.

10 SEC. 203. A report of each such audit for each fiscal
11 year ending on June 30 shall be made by the Comptroller
12 General to the Congress not later than January 15, following
13 the close of the fiscal year for which such audit is made.
14 The report shall set forth the scope of the audit and shall
15 include a statement (showing intercorporate relations) of
16 assets and liabilities, capital and surplus or deficit; a state-
17 ment of surplus or deficit analysis; a statement of income
18 and expense; and such comments and information as may
19 be deemed necessary to keep Congress informed of the oper-
20 ations and financial condition of, and the use of Government
21 capital by, each such corporation, together with such recom-
22 mendations with respect thereto as the Comptroller General
23 may deem advisable, including a report of any impairment
24 of capital or lack of sufficient capital noted in the audit and

1 recommendations for the return of such Government capital
2 or the payment of such dividends as, in his judgment, should
3 be accomplished. A copy of each report shall be furnished
4 to the President and to the corporation concerned at the time
5 submitted to the Congress.

6 SEC. 204. (a) No additional Government capital or
7 paid-in surplus shall be subscribed or paid in to any mixed
8 ownership Government corporation except pursuant to spe-
9 cific appropriation therefor hereafter made.

10 (b) The President shall include in the annual Budget
11 any recommendations he may wish to make as to the return
12 of Government capital to the Treasury by any mixed-owner-
13 ship corporation.

14 TITLE III—GENERAL PROVISIONS

15 SEC. 301. The expenses of auditing the financial trans-
16 actions of wholly owned and mixed ownership Government
17 corporations as provided in sections 105 and 202 of this
18 Act shall be borne out of appropriations to the General Ac-
19 counting Office and appropriations in such sums as may be
20 necessary are hereby authorized for the purpose.

21 SEC. 302. The banking or checking accounts of all
22 wholly owned and mixed ownership Government corpora-
23 tions shall be kept with the Treasurer of the United States,
24 or, with the approval of the Secretary of the Treasury, with

1 a Federal Reserve bank, or with a designated depository
2 or fiscal agent of the United States.

3 SEC. 303. (a) All bonds, notes, debentures, and other
4 similar obligations which are hereafter issued by any wholly
5 owned or mixed ownership Government corporation shall
6 be in such forms and denominations, shall have such matu-
7 rities, shall bear such rates of interest, shall be subject to such
8 terms and conditions, shall be issued in such manner and at
9 such times and sold at such prices as may be approved by the
10 Secretary of the Treasury.

11 (b) Hereafter, no direct obligation of the United States,
12 and no obligation guaranteed by the United States as to
13 principal or interest, or both, which are held or owned by
14 any wholly owned or mixed ownership Government corpora-
15 tion shall be sold, nor shall any such obligation be purchased
16 by any such corporation without the approval of the Secretary
17 of the Treasury.

18 (c) The Secretary of the Treasury is hereby authorized
19 to exercise any of the functions vested in him by this section
20 through any officer or employee of any agency whom he
21 may designate for such purpose.

22 SEC. 304. (a) No corporation shall be created hereafter
23 by any officer or agency of the Federal Government or by
24 any Government corporation, except by direct congressional

1 action or pursuant to Act of Congress specifically authorizing
2 the creation of such corporation.

3 (b) Any such corporation hereafter created shall be
4 subject to the provisions of this Act.

5 SEC. 305. All laws and parts of laws in conflict with
6 this Act, to the extent of such conflict, are hereby repealed.

A BILL

To provide for financial control of Government corporations.

By Mr. BYRD and Mr. BUTLER

FEBRUARY 5, 1945

Read twice and referred to the Committee on
Banking and Currency

79TH CONGRESS
1ST SESSION

H. R. 2051

H. R. 2051

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 7, 1945

Mr. CASE of South Dakota introduced the following bill; which was referred to the Committee on Expenditures in the Executive Departments

A BILL

To provide for financial control of Government corporations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Government Corporation
4 Control Act”.

DECLARATION OF POLICY

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

1 TITLE I—WHOLLY OWNED GOVERNMENT

2 CORPORATIONS

3 SEC. 101. As used in this Act the term “wholly owned
4 Government corporation” means the Commodity Credit Cor-
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6 Credit Corporations; Regional Agricultural Credit Corpora-
7 tions; Farmers Home Corporation; Federal Crop Insurance
8 Corporation; Federal Farm Mortgage Corporation; Federal
9 Surplus Commodities Corporation; Reconstruction Finance
10 Corporation; Defense Plant Corporation; Defense Supplies
11 Corporation; Metals Reserve Company; Rubber Reserve
12 Company; War Damage Corporation; Federal National
13 Mortgage Association; The RFC Mortgage Company;
14 Disaster Loan Corporation; Inland Waterways Corporation;
15 Warrior River Terminal Company; The Virgin Islands Com-
16 pany; Federal Prison Industries, Incorporated; United States
17 Spruce Production Corporation; Institute of Inter-American
18 Affairs; Institute of Inter-American Transportation; Inter-
19 American Educational Foundation, Incorporated; Inter-
20 American Navigation Corporation; Prencinradio, Incor-
21 porated; Cargoes, Incorporated; Export-Import Bank of
22 Washington; Petroleum Reserves Corporation; Rubber De-
23 velopment Corporation; United States Commercial Com-
24 pany; Smaller War Plants Corporation; Federal Public
25 Housing Authority (or United States Housing Authority)

1 and including public housing projects financed from appro-
2 priated funds and operations thereof; Defense Homes Cor-
3 poration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Federal Deposit Insurance Corporation;
6 Panama Railroad Company; Tennessee Valley Authority;
7 Tennessee Valley Associated Cooperatives, Incorporated;
8 and any other corporation which is wholly owned by the
9 United States Government or by any agency thereof, includ-
10 ing Government corporations.

11 SEC. 102. Each wholly owned Government corporation
12 shall cause to be prepared annually a budget program
13 covering all operations for the ensuing fiscal year with
14 comparisons with the current fiscal year and the last com-
15 pleted fiscal year. Such budget programs shall be submitted
16 to the Bureau of the Budget at the time prescribed for
17 the submission of the estimates of appropriations by the
18 regular Government departments and establishments and
19 shall be transmitted by the President to the Congress in
20 the annual Budget; except that the first budget programs
21 shall be submitted as soon as practicable after the date
22 of enactment of this Act.

23 SEC. 103. The Bureau of the Budget, under such rules
24 and regulations as the President may establish, is authorized
25 and directed to prescribe the form and content of, and the

1 manner in which such budget programs shall be prepared
2 and presented; but all such budget programs shall contain
3 specific estimates of administrative expenses and estimates
4 of necessary borrowing by the corporation concerned, to-
5 gether with the estimates of the amount of Government
6 capital funds which shall be returned to the Treasury
7 during the fiscal year or the appropriations required to
8 provide for the reissuance of authorized capital or the
9 restoration of capital impairments. Such budget programs
10 shall be considered and shall be included in the annual
11 Budget in the same manner, as nearly as practicable, as
12 are the estimates and other information submitted in ac-
13 cordance with the Budget and Accounting Act, 1921.
14 Budget programs so submitted to the Congress shall be
15 considered and approved, modified, or prohibited by it, in
16 the same manner, as nearly as practicable, as appropriations
17 are considered and made by Congress.

18 The Budget program may, whenever deemed neces-
19 sary, include and set forth specifically, requests for authori-
20 zation to cover possible emergency or contingent operations
21 in the ensuing year, but operations thereunder shall be
22 initiated only after approval by the President and shall be
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5 made by any such corporation except in the amounts author-
6 ized and made available by Congress for such fiscal year.
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8 tive expenses shall be obligated or expended unless and
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11 warrant, and funds so made available shall be subject to
12 apportionment by the Bureau of the Budget, and claims and
13 accounts thereunder to adjustment and settlement by the
14 General Accounting Office under title III of the Budget and
15 Accounting Act, 1921. This section shall take effect with
16 respect to wholly owned Government corporations or groups
17 of corporations at the earliest possible date following the
18 enactment of this Act, as determined by the President, but
19 no later than July 1, 1946.

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21 Government corporations shall be audited by the General
22 Accounting Office in accordance with the principles and
23 procedures applicable to commercial corporate transactions
24 and under such rules and regulations as may be prescribed
25 by the Comptroller General of the United States. The audit

1 shall be conducted at the place or places where the accounts
2 of the respective corporations are normally kept. The rep-
3 resentatives of the General Accounting Office shall have
4 access to all books, accounts, financial records, reports, files,
5 and all other papers, things, or property belonging to or in
6 use by the respective corporations and necessary to facilitate
7 the audit, and they shall be afforded full facilities for verify-
8 ing transactions with the balances or securities held by
9 depositaries, fiscal agents, and custodians. The audit shall
10 begin with the first fiscal year commencing after the enact-
11 ment of this Act.

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13 year ending on June 30 shall be made by the Comptroller
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17 include a statement (showing intercorporate relations) of
18 assets and liabilities, capital and surplus or deficit; a state-
19 ment of surplus or deficit analysis; a statement of income
20 and expense; and such comments and information as may
21 be deemed necessary to keep Congress informed of the opera-
22 tions and financial condition of the several corporations,
23 together with such recommendations with respect thereto as
24 the Comptroller General may deem advisable, including a
25 report of any impairment of capital noted in the audit and

1 recommendations for the return of such Government capital
2 or the payment of such dividends as, in his judgment, should
3 be accomplished. The report shall also show how the budget
4 program (herein provided) was executed and specifically
5 any program, expenditure, or other financial transaction or
6 undertaking, which, in the opinion of the Comptroller Gen-
7 eral, has been carried on or made without authority of law.
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9 to the corporation concerned at the time submitted to the
10 Congress.

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12 surplus shall be subscribed or paid in to any wholly owned
13 Government corporation except pursuant to specific appro-
14 priation therefor hereafter made.

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17 dent, to be practicable and in the public interest that any
18 wholly owned Government corporation be treated with re-
19 spect to its appropriations, expenditures, receipts, accounting
20 and other fiscal matters as if it were a Government agency
21 other than a corporation, the Director shall include in con-
22 nection with the budget program of such corporation in
23 the Budget a recommendation to that effect. If the Congress
24 approves such recommendation in connection with the budget
25 program for any fiscal year, such corporation, with respect

1 to subsequent fiscal years, shall be regarded as an estab-
2 lishment other than a corporation for the purposes of the
3 Budget and Accounting Act, 1921, and other provisions of
4 law relating to appropriations, expenditures, receipts, ac-
5 counts, and other fiscal matters, and shall not be subject to
6 the provisions of this Act other than this section. The
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4 similar obligations which are hereafter issued by any wholly
5 owned or mixed ownership Government corporation shall
6 be in such forms and denominations, shall have such matu-
7 rities, shall bear such rates of interest, shall be subject to such
8 terms and conditions, shall be issued in such manner and at
9 such times and sold at such prices as may be approved by the
10 Secretary of the Treasury.

11 (b) Hereafter, no direct obligation of the United States,
12 and no obligation guaranteed by the United States as to
13 principal or interest, or both, which are held or owned by
14 any wholly owned or mixed ownership Government corpora-
15 tion shall be sold, nor shall any such obligation be purchased
16 by any such corporation without the approval of the Secretary
17 of the Treasury.

18 (c) The Secretary of the Treasury is hereby authorized
19 to exercise any of the functions vested in him by this section
20 through any officer or employee of any agency whom he
21 may designate for such purpose.

22 SEC. 304. (a) No corporation shall be created hereafter
23 by any officer or agency of the Federal Government or by
24 any Government corporation, except by direct congressional

1 action or pursuant to Act of Congress specifically authorizing
2 the creation of such corporation.

3 (b) Any such corporation hereafter created shall be
4 subject to the provisions of this Act.

5 SEC. 305. All laws and parts of laws in conflict with
6 this Act, to the extent of such conflict, are hereby repealed.

H. R. 2051

A BILL

To provide for financial control of Government corporations.

By Mr. Case of South Dakota

FEBRUARY 7, 1945

Referred to the Committee on Expenditures in the Executive Departments

[COMMITTEE PRINT NO. 1]

MAY 25, 1945

79TH CONGRESS
1ST SESSION

H. R. 2177

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 1945

Mr. WHITTINGTON introduced the following bill; which was referred to the Committee on Expenditures in the Executive Departments

[Omit the part struck through and insert the part printed in italic]

A BILL

To provide for financial control of Government corporations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Government Corporation
4 Control Act".

5 DECLARATION OF POLICY

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

1 TITLE I—WHOLLY OWNED GOVERNMENT
2 CORPORATIONS

3 SEC. 101. As used in this Act the term “wholly owned
4 Government corporation” means the Commodity Credit Cor-
5 poration; Federal Intermediate Credit Banks; Production
6 Credit Corporations; Regional Agricultural Credit Corpora-
7 tions; Farmers Home Corporation; Federal Crop Insurance
8 Corporation; Federal Farm Mortgage Corporation; Federal
9 Surplus Commodities Corporation; Reconstruction Finance
10 Corporation; Defense Plant Corporation; Defense Supplies
11 Corporation; Metals Reserve Company; Rubber Reserve
12 Company; War Damage Corporation; Federal National
13 Mortgage Association; The RFC Mortgage Company;
14 Disaster Loan Corporation; Inland Waterways Corporation;
15 Warrior River Terminal Company; The Virgin Islands Com-
16 pany; Federal Prison Industries, Incorporated; United States
17 Spruce Production Corporation; Institute of Inter-American
18 Affairs; Institute of Inter-American Transportation; Inter-
19 American Educational Foundation, Incorporated; Inter-
20 American Navigation Corporation; Prencinradio, Incor-
21 porated; Cargoes, Incorporated; Export-Import Bank of
22 Washington; Petroleum Reserves Corporation; Rubber De-
23 velopment Corporation; United States Commercial Com-
24 pany; Smaller War Plants Corporation; Federal Public
25 Housing Authority (or United States Housing Authority)

1 and including public housing projects financed from appro-
2 priated funds and operations thereof; Defense Homes Cor-
3 poration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; ~~Federal Deposit Insurance Corporation;~~
6 Panama Railroad Company; Tennessee Valley Authority;
7 and Tennessee Valley Associated Cooperatives, Incorporated
8 ~~; and any other corporation which is wholly owned by the~~
9 ~~United States Government or by any agency thereof, includ-~~
10 ~~ing Government corporations.~~

11 SEC. 102. Each wholly owned Government corporation
12 shall cause to be prepared annually a budget program
13 *(a business-type budget or plan of operations, setting forth*
14 *the business to be carried on, or the programs in which en-*
15 *gaged or in which it is intended to engage)*, covering all
16 operations for the ensuing fiscal year with comparisons with
17 the current fiscal year and the last completed fiscal year.
18 Such budget programs shall be submitted to the Bureau
19 of the Budget at the time prescribed for the submission of
20 the estimates of appropriations by the regular Government
21 departments and establishments and shall be transmitted by
22 the President to the Congress in the annual Budget; ~~except~~
23 ~~that the first budget programs shall be submitted as soon as~~
24 ~~practicable after the date of enactment of this Act. Amend-~~

1 *ments to the annual budget programs may be submitted from*
2 *time to time.*

3 SEC. 103. The Bureau of the Budget, under such rules
4 and regulations as the President may establish, is authorized
5 and directed to prescribe the form and content of, and the
6 manner in which such budget programs shall be prepared
7 and presented; but all such budget programs shall contain
8 specific estimates of administrative expenses and estimates
9 of necessary borrowing by the corporation concerned, to-
10 gether with the estimates of the amount of Government
11 capital funds which shall be returned to the Treasury
12 during the fiscal year or the appropriations required to
13 provide for the reissuance of authorized capital or the
14 restoration of capital impairments. Such budget programs
15 shall be considered and ~~shall be included in the annual~~
16 ~~Budget~~ *transmitted to the Congress* in the same manner, as
17 nearly as practicable, as are the estimates and other informa-
18 tion submitted in accordance with the Budget and Account-
19 ing Act, 1921. Budget programs so ~~submitted~~ *transmitted*
20 to the Congress shall be considered ~~and approved, modified,~~
21 ~~or prohibited by it, in the same manner, as nearly as practi-~~
22 ~~eable, as appropriations are considered and made by Congress~~
23 *, and legislation authorizing, modifying, or prohibiting such*
24 *programs shall be enacted in the same manner, as nearly as*

1 *practicable, as budget estimates and appropriations for the*
2 *regular departments and establishments of the Government.*

3 The ~~Budget~~ budget program may, whenever deemed
4 necessary, include and set forth ~~specifically~~, requests for
5 authorization to cover possible emergency or ~~contingent con-~~
6 *tingency* operations in the ensuing year, but operations there-
7 under shall be initiated only after approval by the President
8 and shall be reported to the Congress from time to time
9 but not later than the time for transmittal of the next annual
10 ~~Budget~~ one month after the close of the fiscal year during
11 *which the operations were approved.*

12 *Budget programs shall be submitted by all wholly owned*
13 *Government corporations covering operations for the fiscal*
14 *year commencing July 1, 1946, and each fiscal year there-*
15 *after.*

16 SEC. 104. No wholly owned Government corporation
17 shall transact any business in any fiscal year except such
18 business as is authorized by Act of Congress as a part of its
19 budget program for such fiscal year, and no expenditures
20 for administrative expenses in any fiscal year shall be
21 made by any such corporation except in the amounts author-
22 ized and made available by Congress for such fiscal year.
23 No funds so made available by the Congress for administra-
24 tive expenses shall be obligated or expended unless and

1 until an appropriation account shall have been established
2 therefor pursuant to an appropriation warrant or a covering
3 warrant, and funds so made available shall be subject to
4 apportionment by the Bureau of the Budget, and claims and
5 accounts thereunder to adjustment and settlement by the
6 General Accounting Office under title III of the Budget and
7 Accounting Act, 1921. This section shall take effect with
8 respect to wholly owned Government corporations or groups
9 of corporations at the earliest possible date following the
10 enactment of this Act, as determined by the President, but
11 no later than July 1, 1946. *Operations of wholly owned*
12 *Government corporations shall be carried on in accordance*
13 *with, and subject to any specific restriction and limitation*
14 *included in, the legislation authorizing their budget programs.*

15 SEC. 105. The financial transactions of wholly owned
16 Government corporations shall be audited by the General
17 Accounting Office in accordance with the principles and
18 procedures applicable to commercial corporate transactions
19 and under such rules and regulations as may be prescribed
20 by the Comptroller General of the United States: *Provided,*
21 *That notwithstanding any other provisions of law, such rules*
22 *and regulations may provide for the manner, nature, and ex-*
23 *tent of the accounting to be rendered by accountable officers*
24 *covering any financial transactions of such corporations,*
25 *accounts for which are required by existing law to be settled*

1 *and adjusted in the General Accounting Office, and for the*
2 *settlement and adjustment of such accounts in whole or in part*
3 *upon the basis of examinations in the course of the audit herein*
4 *provided.* The audit shall be conducted at the place or
5 places where the accounts of the respective corporations
6 are normally kept. The representatives of the General
7 Accounting Office shall have access to all books, accounts,
8 financial records, reports, files, and all other papers, things,
9 or property belonging to or in use by the respective cor-
10 porations and necessary to facilitate the audit, and they
11 shall be afforded full facilities for verifying transactions with
12 the balances or securities held by depositaries, fiscal agents,
13 and custodians. The audit shall begin with the first fiscal
14 year commencing after the enactment of this Act.

15 SEC. 106. A report of each such audit for each fiscal
16 year ending on June 30 shall be made by the Comptroller
17 General to the Congress not later than January 15 following
18 the close of the fiscal year for which such audit is made.
19 The report shall set forth the scope of the audit and shall
20 include a statement (showing intercorporate relations) of
21 assets and liabilities, capital and surplus or deficit; a state-
22 ment of surplus or deficit analysis; a statement of income
23 and expense; and such comments and information as may
24 be deemed necessary to keep Congress informed of the opera-
25 tions and financial condition of the several corporations,

1 together with such recommendations with respect thereto as
 2 the Comptroller General may deem advisable, including a
 3 report of any impairment of capital noted in the audit and
 4 recommendations for the return of such Government capital
 5 or the payment of such dividends as, in his judgment, should
 6 be accomplished. The report shall also show how the budget
 7 program (herein provided) was executed and specifically
 8 any program, expenditure, or other financial transaction or
 9 undertaking *observed in the course of the audit*, which, in
 10 the opinion of the Comptroller General, has been carried
 11 on or made without authority of law. A copy of each re-
 12 port shall be furnished to the President, *to the Secretary of*
 13 *the Treasury*, and to the corporation concerned at the time
 14 submitted to the Congress.

15 ~~SEC. 107.~~ No additional Government capital or paid-in
 16 surplus shall be subscribed or paid in to any wholly owned
 17 Government corporation except pursuant to specific appro-
 18 priation therefor hereafter made.

19 ~~SEC. 108~~ 107. Whenever it is deemed by the Director
 20 of the Bureau of the Budget, with the approval of the Presi-
 21 dent, to be practicable and in the public interest that any
 22 wholly owned Government corporation be treated with re-
 23 spect to its appropriations, expenditures, receipts, accounting
 24 and other fiscal matters as if it were a Government agency
 25 other than a corporation, the Director shall include in con-

1 nection with the budget program of such corporation in
 2 the Budget a recommendation to that effect. If the Congress
 3 approves such recommendation in connection with the budget
 4 program for any fiscal year, such corporation, with respect
 5 to subsequent fiscal years, shall be regarded as an estab-
 6 lishment other than a corporation for the purposes of the
 7 Budget and Accounting Act, 1921, and other provisions of
 8 law relating to appropriations, expenditures, receipts, ac-
 9 counts, and other fiscal matters, and shall not be subject to
 10 the provisions of this Act other than this section. The
 11 corporate entity shall not be affected by this section.

12 TITLE II—MIXED-OWNERSHIP GOVERNMENT 13 CORPORATIONS

14 SEC. 201. As used in this Act the term "mixed-owner-
 15 ship Government corporations" means (1) the Central
 16 Bank for Cooperatives and the regional banks for coopera-
 17 tives, (2) Federal land banks, and (3) Federal home-loan
 18 banks, and (4) *Federal Deposit Insurance Corporation*.
 19 Any of such banks from which Government capital has
 20 been entirely withdrawn, and during the period such bank
 21 remains without Government capital, shall not be subject
 22 to the provisions of this title.

23 SEC. 202. The financial transactions of mixed-owner-
 24 ship Government corporations for any period during
 25 which Government capital has been invested therein

1 shall be audited by the General Accounting Office in
2 accordance with the principles and procedures applicable
3 to commercial corporate transactions and under such
4 rules and regulations as may be prescribed by the
5 Comptroller General of the United States. The audit
6 shall be conducted at the place or places where
7 the accounts of the respective corporations are normally
8 kept. The representatives of the General Accounting Office
9 shall have access to all books, accounts, financial records,
10 reports, files, and all other papers, things, or property be-
11 longing to or in use by the respective corporations and neces-
12 sary to facilitate the audit, and they shall be afforded full
13 facilities for verifying transactions with the balances or se-
14 curities held by depositaries, fiscal agents, and custodians.
15 The audit shall begin with the first fiscal year commencing
16 after the enactment of this Act.

17 SEC. 203. A report of each such audit for each fiscal
18 year ending on June 30 shall be made by the Comptroller
19 General to the Congress not later than January 15, following
20 the close of the fiscal year for which such audit is made.
21 The report shall set forth the scope of the audit and shall
22 include a statement (showing intercorporate relations) of
23 assets and liabilities, capital and surplus or deficit; a state-
24 ment of surplus or deficit analysis; a statement of income
25 and expense; and such comments and information as may

1 be deemed necessary to keep Congress informed of the oper-
2 ations and financial condition of, and the use of Government
3 capital by, each such corporation, together with such recom-
4 mendations with respect thereto as the Comptroller General
5 may deem advisable, including a report of any impairment
6 of capital or lack of sufficient capital noted in the audit and
7 recommendations for the return of such Government capital
8 or the payment of such dividends as, in his judgment, should
9 be accomplished. *The report shall also show specifically*
10 *any program, expenditure, or other financial transaction*
11 *or undertaking observed in the course of the audit, which,*
12 *in the opinion of the Comptroller General, has been carried*
13 *on or made without authority of law.* A copy of each report
14 shall be furnished to the President, *to the Secretary of the*
15 *Treasury,* and to the corporation concerned at the time
16 submitted to the Congress.

17 SEC. 204. ~~(a) No additional Government capital or~~
18 ~~paid in surplus shall be subscribed or paid in to any mixed-~~
19 ~~ownership Government corporation except pursuant to spe-~~
20 ~~cific appropriation therefor hereafter made.~~

21 ~~(b)~~ The President shall include in the annual Budget
22 any recommendations he may wish to make as to the return
23 of Government capital to the Treasury by any mixed-owner-
24 ship corporation.

TITLE III—GENERAL PROVISIONS

SEC. 301. (a) The expenses of auditing the financial transactions of wholly owned and mixed-ownership Government corporations as provided in sections 105 and 202 of this Act shall be borne out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized ~~for the purpose~~: *Provided, The each such corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts.*

(b) *For the purpose of conducting such audit the Comptroller General is authorized in his discretion to employ not more than ten persons without regard to the Classification Act of 1923, as amended, only one of whom may be compensated at a rate of as much as but not more than \$10,000 per annum, and to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of firms and organizations for temporary periods or for special purposes.*

(c) *The audit provided in sections 105 and 202 of this Act shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the*

1 *General Accounting Office for the purpose of a report to the*
2 *Congress or to the President under any existing law.*

3 SEC. 302. The banking or checking accounts of all
4 wholly owned and mixed-ownership Government corpora-
5 tions shall be kept with the Treasurer of the United States, or,
6 with the approval of the Secretary of the Treasury, with
7 a Federal Reserve bank, or with a *bank* designated as a
8 depository or fiscal agent of the United States: *Provided,*
9 *That the Secretary of the Treasury may waive the require-*
10 *ment of his approval with respect to any particular situation*
11 *subject to the provisions of this section and under such con-*
12 *ditions as he may determine.*

13 SEC. 303. (a) All bonds, notes, debentures, and other
14 similar obligations which are hereafter issued by any wholly
15 owned or mixed-ownership Government corporation *and*
16 *offered to the public* shall be in such forms and denominations,
17 shall have such maturities, shall bear such rates of interest,
18 shall be subject to such terms and conditions, shall be issued
19 in such manner and at such times and sold at such prices
20 as *have been or* as may be approved by the Secretary of
21 the Treasury.

22 (b) ~~Hereafter, no direct obligation of the United States,~~
23 ~~and no obligation guaranteed by the United States as to~~
24 ~~principal or interest, or both, which are held or owned by~~

1 any wholly owned or mixed ownership Government corpora-
2 tion shall be sold, nor shall any such obligation be purchased
3 by any such corporation without the approval of the Secre-
4 tary of the Treasury. Hereafter, no wholly owned or mixed-
5 ownership Government corporation shall sell or purchase
6 any direct obligation of the United States or obligation guar-
7 anteed as to principal or interest, or both, for its own account
8 and in its own right and interest, at any one time aggregating
9 in excess of \$100,000, without the approval of the Secretary
10 of the Treasury: Provided, That the Secretary of the Treas-
11 ury may waive the requirement of his approval with respect
12 to any transaction or classes of transactions subject to the
13 provisions of this subsection for such period of time and
14 under such conditions as he may determine.

15 (c) The Secretary of the Treasury is hereby authorized
16 to exercise any of the functions vested in him by this section
17 through any officer or employee of any agency whom he
18 may designate, with the concurrence of the head of the agency
19 concerned, for such purpose.

20 (d) Any mixed-ownership Government corporation
21 from which Government capital has been entirely withdrawn
22 shall not be subject to the provisions of section 302 or of this
23 section during the period such corporation remains without
24 Government capital.

1 SEC. 304. (a) No corporation shall be created, *organ-*
2 *ized, or acquired* hereafter by any officer or agency of the
3 Federal Government or by any Government corporation for
4 *the purpose of acting as an agency or instrumentality of the*
5 *United States*, except by direct congressional action or pur-
6 suant to Act of Congress specifically authorizing the ere-
7 ~~ation of such corporation~~ *such action*.

8 (b) ~~Any such corporation hereafter created shall be~~
9 ~~subject to the provisions of this Act.~~ *No wholly owned*
10 *Government corporation created by or under the laws of*
11 *any State, Territory, or possession of the United States or*
12 *any political subdivision thereof, or under the laws of the*
13 *District of Columbia, shall continue after June 30, 1948,*
14 *as an agency or instrumentality of the United States, and*
15 *no funds of, or obtained from, the United States or any*
16 *agency thereof, including corporations, shall be invested in*
17 *or employed by any such corporation after that date, except*
18 *for purposes of liquidation. The proper corporate authority*
19 *of every such corporation shall take the necessary steps to*
20 *institute dissolution or liquidation proceedings on or before*
21 *that date: Provided, That prior thereto any such corporation*
22 *may be reincorporated by Act of Congress for such purposes*
23 *and term of existence and with such powers, privileges, and*

1 *duties as authorized by such Act, including the power to*
 2 *assume the assets and liabilities of its respective corporation.*

3 SEC. 305. All laws and parts of laws in conflict with
 4 this Act, to the extent of such conflict, are hereby repealed.

[COMMITTEE PRINT NO. 1]

MAY 25, 1945

79TH CONGRESS
1ST SESSION

H. R. 2177

A BILL

To provide for financial control of Government
corporations.

By Mr. WHITTINGTON

FEBRUARY 14, 1945

Referred to the Committee on Expenditures in the
Executive Departments

H. R. 2177

FEBRUARY 14, 1945

A BILL

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Government Corporation
4 Control Act”.

SEC. 2. It is hereby declared to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

1 TITLE I—WHOLLY OWNED GOVERNMENT
2 CORPORATIONS

3 SEC. 101. As used in this Act the term “wholly owned
4 Government corporation” means the Commodity Credit Cor-
5 poration; Federal Intermediate Credit Banks; Production
6 Credit Corporations; Regional Agricultural Credit Corpora-
7 tions; Farmers Home Corporation; Federal Crop Insurance
8 Corporation; Federal Farm Mortgage Corporation; Federal
9 Surplus Commodities Corporation; Reconstruction Finance
10 Corporation; Defense Plant Corporation; Defense Supplies
11 Corporation; Metals Reserve Company; Rubber Reserve
12 Company; War Damage Corporation; Federal National
13 Mortgage Association; The RFC Mortgage Company;
14 Disaster Loan Corporation; Inland Waterways Corporation;
15 Warrior River Terminal Company; The Virgin Islands Com-
16 pany; Federal Prison Industries, Incorporated; United States
17 Spruce Production Corporation; Institute of Inter-American
18 Affairs; Institute of Inter-American Transportation; Inter-
19 American Educational Foundation, Incorporated; Inter-
20 American Navigation Corporation; Prencinradio, Incor-
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22 Washington; Petroleum Reserves Corporation; Rubber De-
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24 pany; Smaller War Plants Corporation; Federal Public
25 Housing Authority (or United States Housing Authority)

1 and including public housing projects financed from appro-
2 priated funds and operations thereof; Defense Homes Cor-
3 poration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Federal Deposit Insurance Corporation;
6 Panama Railroad Company; Tennessee Valley Authority;
7 Tennessee Valley Associated Cooperatives, Incorporated;
8 and any other corporation which is wholly owned by the
9 United States Government or by any agency thereof, includ-
10 ing Government corporations.

11 SEC. 102. Each wholly owned Government corporation
12 shall cause to be prepared annually a budget program
13 covering all operations for the ensuing fiscal year with
14 comparisons with the current fiscal year and the last com-
15 pleted fiscal year. Such budget programs shall be submitted
16 to the Bureau of the Budget at the time prescribed for
17 the submission of the estimates of appropriations by the
18 regular Government departments and establishments and
19 shall be transmitted by the President to the Congress in
20 the annual Budget; except that the first budget programs
21 shall be submitted as soon as practicable after the date
22 of enactment of this Act.

23 SEC. 103. The Bureau of the Budget, under such rules
24 and regulations as the President may establish, is authorized
25 and directed to prescribe the form and content of, and the

1 manner in which such budget programs shall be prepared
2 and presented; but all such budget programs shall contain
3 specific estimates of administrative expenses and estimates
4 of necessary borrowing by the corporation concerned, to-
5 gether with the estimates of the amount of Government
6 capital funds which shall be returned to the Treasury
7 during the fiscal year or the appropriations required to
8 provide for the reissuance of authorized capital or the
9 restoration of capital impairments. Such budget programs
10 shall be considered and shall be included in the annual
11 Budget in the same manner, as nearly as practicable, as
12 are the estimates and other information submitted in ac-
13 cordance with the Budget and Accounting Act, 1921.
14 Budget programs so submitted to the Congress shall be
15 considered and approved, modified, or prohibited by it, in
16 the same manner, as nearly as practicable, as appropriations
17 are considered and made by Congress.

18 The Budget program may, whenever deemed neces-
19 sary, include and set forth specifically, requests for authori-
20 zation to cover possible emergency or contingent operations
21 in the ensuing year, but operations thereunder shall be
22 initiated only after approval by the President and shall be
23 reported to the Congress from time to time but not later
24 than the time for transmittal of the next annual Budget.

25 SEC. 104. No wholly owned Government corporation

1 shall transact any business in any fiscal year except such
2 business as is authorized by Act of Congress as a part of its
3 budget program for such fiscal year, and no expenditures
4 for administrative expenses in any fiscal year shall be
5 made by any such corporation except in the amounts author-
6 ized and made available by Congress for such fiscal year.
7 No funds so made available by the Congress for administra-
8 tive expenses shall be obligated or expended unless and
9 until an appropriation account shall have been established
10 therefor pursuant to an appropriation warrant or a covering
11 warrant, and funds so made available shall be subject to
12 apportionment by the Bureau of the Budget, and claims and
13 accounts thereunder to adjustment and settlement by the
14 General Accounting Office under title III of the Budget and
15 Accounting Act, 1921. This section shall take effect with
16 respect to wholly owned Government corporations or groups
17 of corporations at the earliest possible date following the
18 enactment of this Act, as determined by the President, but
19 no later than July 1, 1946.

20 SEC. 105. The financial transactions of wholly owned
21 Government corporations shall be audited by the General
22 Accounting Office in accordance with the principles and
23 procedures applicable to commercial corporate transactions
24 and under such rules and regulations as may be prescribed

1 by the Comptroller General of the United States. The audit
2 shall be conducted at the place or places where the accounts
3 of the respective corporations are normally kept. The rep-
4 resentatives of the General Accounting Office shall have
5 access to all books, accounts, financial records, reports, files,
6 and all other papers, things, or property belonging to or in
7 use by the respective corporations and necessary to facilitate
8 the audit, and they shall be afforded full facilities for verify-
9 ing transactions with the balances or securities held by
10 depositaries, fiscal agents, and custodians. The audit shall
11 begin with the first fiscal year commencing after the enact-
12 ment of this Act.

13 SEC. 106. A report of each such audit for each fiscal
14 year ending on June 30 shall be made by the Comptroller
15 General to the Congress not later than January 15 following
16 the close of the fiscal year for which such audit is made.
17 The report shall set forth the scope of the audit and shall
18 include a statement (showing intercorporate relations) of
19 assets and liabilities, capital and surplus or deficit; a state-
20 ment of surplus or deficit analysis; a statement of income
21 and expense; and such comments and information as may
22 be deemed necessary to keep Congress informed of the opera-
23 tions and financial condition of the several corporations,
24 together with such recommendations with respect thereto as
25 the Comptroller General may deem advisable, including a

1 report of any impairment of capital noted in the audit and
2 recommendations for the return of such Government capital
3 or the payment of such dividends as, in his judgment, should
4 be accomplished. The report shall also show how the budget
5 program (herein provided) was executed and specifically
6 any program, expenditure, or other financial transaction or
7 undertaking, which, in the opinion of the Comptroller Gen-
8 eral, has been carried on or made without authority of law.
9 A copy of each report shall be furnished to the President and
10 to the corporation concerned at the time submitted to the
11 Congress.

12 SEC. 107. No additional Government capital or paid-in
13 surplus shall be subscribed or paid in to any wholly owned
14 Government corporation except pursuant to specific appro-
15 priation therefor hereafter made.

16 SEC. 108. Whenever it is deemed by the Director of
17 the Bureau of the Budget, with the approval of the Presi-
18 dent, to be practicable and in the public interest that any
19 wholly owned Government corporation be treated with re-
20 spect to its appropriations, expenditures, receipts, accounting
21 and other fiscal matters as if it were a Government agency
22 other than a corporation, the Director shall include in con-
23 nection with the budget program of such corporation in
24 the Budget a recommendation to that effect. If the Congress
25 approves such recommendation in connection with the budget

1 program for any fiscal year, such corporation, with respect
2 to subsequent fiscal years, shall be regarded as an estab-
3 lishment other than a corporation for the purposes of the
4 Budget and Accounting Act, 1921, and other provisions of
5 law relating to appropriations, expenditures, receipts, ac-
6 counts, and other fiscal matters, and shall not be subject to
7 the provisions of this Act other than this section. The
8 corporate entity shall not be affected by this section.

9 TITLE II—MIXED-OWNERSHIP GOVERNMENT

10 CORPORATIONS

11 SEC. 201. As used in this Act the term "mixed-owner-
12 ship Government corporations" means (1) the Central
13 Bank for Cooperatives and the regional banks for coopera-
14 tives, (2) Federal land banks, and (3) Federal home-loan
15 banks. Any of such banks from which Government capital
16 has been entirely withdrawn, and during the period such
17 bank remains without Government capital, shall not be
18 subject to the provisions of this title.

19 SEC. 202. The financial transactions of mixed-owner-
20 ship Government corporations shall be audited by the Gen-
21 eral Accounting Office in accordance with the principles
22 and procedures applicable to commercial corporate transac-
23 tions and under such rules and regulations as may be pre-
24 scribed by the Comptroller General of the United States.
25 The Audit shall be conducted at the place or places where

1 the accounts of the respective corporations are normally
2 kept. The representatives of the General Accounting Office
3 shall have access to all books, accounts, financial records,
4 reports, files, and all other papers, things, or property be-
5 longing to or in use by the respective corporations and neces-
6 sary to facilitate the audit, and they shall be afforded full
7 facilities for verifying transactions with the balances or se-
8 curities held by depositaries, fiscal agents, and custodians.
9 The audit shall begin with the first fiscal year commencing
10 after the enactment of this Act.

11 SEC. 203. A report of each such audit for each fiscal
12 year ending on June 30 shall be made by the Comptroller
13 General to the Congress not later than January 15, following
14 the close of the fiscal year for which such audit is made.
15 The report shall set forth the scope of the audit and shall
16 include a statement (showing intercorporate relations) of
17 assets and liabilities, capital and surplus or deficit; a state-
18 ment of surplus or deficit analysis; a statement of income
19 and expense; and such comments and information as may
20 be deemed necessary to keep Congress informed of the oper-
21 ations and financial condition of, and the use of Government
22 capital by, each such corporation, together with such recom-
23 mendations with respect thereto as the Comptroller General
24 may deem advisable, including a report of any impairment
25 of capital or lack of sufficient capital noted in the audit and

1 recommendations for the return of such Government capital
2 or the payment of such dividends as, in his judgment, should
3 be accomplished. A copy of each report shall be furnished
4 to the President and to the corporation concerned at the
5 time submitted to the Congress.

6 SEC. 204. (a) No additional Government capital or
7 paid-in surplus shall be subscribed or paid in to any mixed-
8 ownership Government corporation except pursuant to spe-
9 cific appropriation therefor hereafter made.

10 (b) The President shall include in the annual Budget
11 any recommendations he may wish to make as to the return
12 of Government capital to the Treasury by any mixed-owner-
13 ship corporation.

14 TITLE III—GENERAL PROVISIONS

15 SEC. 301. The expenses of auditing the financial trans-
16 actions of wholly owned and mixed-ownership Government
17 corporations as provided in sections 105 and 202 of this
18 Act shall be borne out of appropriations to the General Ac-
19 counting Office and appropriations in such sums as may be
20 necessary are hereby authorized for the purpose.

21 SEC. 302. The banking or checking accounts of all
22 wholly owned and mixed-ownership Government corpora-
23 tions shall be kept with the Treasurer of the United States, or
24 with the approval of the Secretary of the Treasury, with

1 a Federal Reserve bank, or with a designated depository
2 or fiscal agent of the United States.

3 SEC. 303. (a) All bonds, notes, debentures, and other
4 similar obligations which are hereafter issued by any wholly
5 owned or mixed ownership Government corporation shall
6 be in such forms and denominations, shall have such matu-
7 rities, shall bear such rates of interest, shall be subject to such
8 terms and conditions, shall be issued in such manner and at
9 such times and sold at such prices as may be approved by the
10 Secretary of the Treasury.

11 (b) Hereafter, no direct obligation of the United States,
12 and no obligation guaranteed by the United States as to
13 principal or interest, or both, which are held or owned by
14 any wholly owned or mixed ownership Government corpora-
15 tion shall be sold, nor shall any such obligation be purchased
16 by any such corporation without the approval of the Secretary
17 of the Treasury.

18 (c) The Secretary of the Treasury is hereby authorized
19 to exercise any of the functions vested in him by this section
20 through any officer or employee of any agency whom he
21 may designate for such purpose.

22 SEC. 304. (a) No corporation shall be created hereafter
23 by any officer or agency of the Federal Government or by
24 any Government corporation, except by direct congressional

1 action or pursuant to Act of Congress specifically authorizing
2 the creation of such corporation.

3 (b) Any such corporation hereafter created shall be
4 subject to the provisions of this Act.

5 SEC. 305. All laws and parts of laws in conflict with
6 this Act, to the extent of such conflict, are hereby repealed.

A BILL

To provide for financial control of Government corporations.

By Mr. WHITTINGTON

FEBRUARY 14, 1945

Referred to the Committee on Expenditures in the
Executive Departments



79TH CONGRESS
1ST SESSION

H. R. 3660

IN THE HOUSE OF REPRESENTATIVES

JULY 3, 1945

Mr. WHITTINGTON introduced the following bill; which was referred to the
Committee on Expenditures in the Executive Departments

A BILL

To provide for financial control of Government corporations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Government Corporation
4 Control Act".

5 DECLARATION OF POLICY

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

1 TITLE I—WHOLLY OWNED GOVERNMENT
2 CORPORATIONS

3 SEC. 101. As used in this Act the term "wholly owned
4 Government corporation" means the Commodity Credit Cor-
5 poration; Federal Intermediate Credit Banks; Production
6 Credit Corporations; Regional Agricultural Credit Corpora-
7 tions; Farmers Home Corporation; Federal Crop Insurance
8 Corporation; Federal Farm Mortgage Corporation; Federal
9 Surplus Commodities Corporation; Reconstruction Finance
10 Corporation; Defense Plant Corporation; Defense Supplies
11 Corporation; Metals Reserve Company; Rubber Reserve
12 Company; War Damage Corporation; Federal National
13 Mortgage Association; The RFC Mortgage Company;
14 Disaster Loan Corporation; Inland Waterways Corporation;
15 Warrior River Terminal Company; The Virgin Islands Com-
16 pany; Federal Prison Industries, Incorporated; United States
17 Spruce Production Corporation; Institute of Inter-American
18 Affairs; Institute of Inter-American Transportation; Inter-
19 American Educational Foundation, Incorporated; Inter-
20 American Navigation Corporation; Prencinradio, Incor-
21 porated; Cargoes, Incorporated; Export-Import Bank of
22 Washington; Petroleum Reserves Corporation; Rubber De-
23 velopment Corporation; U. S. Commercial Company;
24 Smaller War Plants Corporation; Federal Public Hous-
25 ing Authority (or United States Housing Authority) and

1 including public housing projects financed from appropri-
2 ated funds and operations thereof; Defense Homes Corpo-
3 ration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Panama Railroad Company; Tennessee Valley
6 Authority; and Tennessee Valley Associated Cooperatives,
7 Incorporated.

8 SEC. 102. Each wholly owned Government corporation
9 shall cause to be prepared annually a budget program, which
10 shall be submitted to the President through the Bureau of
11 the Budget on or before September 15 of each year. The
12 Bureau of the Budget, under such rules and regulations as
13 the President may establish, is authorized and directed to
14 prescribe the form and content of, and the manner in which
15 such budget program shall be prepared and presented. The
16 budget program shall be a business-type budget, or plan of
17 operations, with due allowance given to the need for flexi-
18 bility, including provision for emergencies and contingencies,
19 in order that the corporation may properly carry out its
20 activities as authorized by law. The budget program shall
21 contain estimates of the financial condition and operations
22 of the corporation for the current and ensuing fiscal years
23 and the actual condition and results of operation for the last
24 completed fiscal year. Such budget program shall include a
25 statement of financial condition, a statement of income and

1 expense, an analysis of surplus or deficit, a statement of
2 sources and application of funds, and such other supple-
3 mentary statements and information as are necessary or de-
4 sirable to make known the financial condition and operations
5 of the corporation. Such statements shall include estimates
6 of operations by major types of activities, together with esti-
7 mates of administrative expenses, estimates of borrowings,
8 and estimates of the amount of Government capital funds
9 which shall be returned to the Treasury during the fiscal year
10 or the appropriations required to provide for the restoration
11 of capital impairments.

12 SEC. 103. The budget programs of the corporations as
13 modified, amended, or revised by the President shall be
14 transmitted to the Congress as a part of the annual Budget
15 required by the Budget and Accounting Act, 1921. Amend-
16 ments to the annual budget programs may be submitted from
17 time to time.

18 Budget programs shall be submitted for all wholly owned
19 Government corporations covering operations for the fiscal
20 year commencing July 1, 1946, and each fiscal year there-
21 after.

22 SEC. 104. The Budget programs transmitted by the
23 President to the Congress shall be considered and, if nec-
24 essary, legislation shall be enacted making available such
25 funds or other financial resources as the Congress may de-

1 termine. The provisions of this section shall not be con-
2 strued as preventing wholly owned Government corpora-
3 tions from carrying out and financing their activities as
4 authorized by existing law, nor shall any provisions of this
5 section be construed as affecting in any way the provisions
6 of section 26 of the Tennessee Valley Authority Act, as
7 amended. The provisions of this section shall not be con-
8 strued as affecting the existing authority of any wholly
9 owned Government corporation to make contracts or other
10 commitments without reference to fiscal-year limitations.

11 SEC. 105. The financial transactions of wholly owned
12 Government corporations shall be audited by the General
13 Accounting Office in accordance with the principles and
14 procedures applicable to commercial corporate transactions
15 and under such rules and regulations as may be prescribed
16 by the Comptroller General of the United States: *Provided*,
17 That such rules and regulations may provide for the reten-
18 tion at the offices of such corporations, in whole or in part,
19 of any accounts of accountable officers, covering corporate
20 financial transactions, which are required by existing law
21 to be settled and adjusted in the General Accounting Office,
22 and for the settlement and adjustment of such accounts in
23 whole or in part upon the basis of examinations in the
24 course of the audit herein provided, but nothing in this
25 proviso shall be construed as affecting the powers reserved

1 to the Tennessee Valley Authority in the Act of Novem-
2 ber 21, 1941 (55 Stat. 775). The audit shall be con-
3 ducted at the place or places where the accounts of the
4 respective corporations are normally kept. The representa-
5 tives of the General Accounting Office shall have access to
6 all books, accounts, financial records, reports, files, and all
7 other papers, things, or property belonging to or in use by
8 the respective corporations and necessary to facilitate the
9 audit, and they shall be afforded full facilities for verifying
10 transactions with the balances or securities held by deposi-
11 taries, fiscal agents, and custodians. The audit shall begin
12 with the first fiscal year commencing after the enactment of
13 this Act.

14 SEC. 106. A report of each such audit for each fiscal
15 year ending on June 30 shall be made by the Comptroller
16 General to the Congress not later than January 15 following
17 the close of the fiscal year for which such audit is made.
18 The report shall set forth the scope of the audit and shall
19 include a statement (showing intercorporate relations) of
20 assets and liabilities, capital and surplus or deficit; a state-
21 ment of surplus or deficit analysis; a statement of income
22 and expense; a statement of sources and application of
23 funds; and such comments and information as may be
24 deemed necessary to keep Congress informed of the opera-
25 tions and financial condition of the several corporations.

1 together with such recommendations with respect thereto as
2 the Comptroller General may deem advisable, including a
3 report of any impairment of capital noted in the audit and
4 recommendations for the return of such Government capital
5 or the payment of such dividends as, in his judgment, should
6 be accomplished. The report shall also show specifically
7 any program, expenditure, or other financial transaction or
8 undertaking observed in the course of the audit, which, in
9 the opinion of the Comptroller General, has been carried
10 on or made without authority of law. A copy of each re-
11 port shall be furnished to the President, to the Secretary of
12 the Treasury, and to the corporation concerned at the time
13 submitted to the Congress.

14 SEC. 107. Whenever it is deemed by the Director of
15 the Bureau of the Budget, with the approval of the Presi-
16 dent, to be practicable and in the public interest that any
17 wholly owned Government corporation be treated with re-
18 spect to its appropriations, expenditures, receipts, accounting,
19 and other fiscal matters as if it were a Government agency
20 other than a corporation, the Director shall include in con-
21 nection with the budget program of such corporation in
22 the Budget a recommendation to that effect. If the Congress
23 approves such recommendation in connection with the bud-
24 get program for any fiscal year, such corporation, with respect
25 to subsequent fiscal years, shall be regarded as an establish-

1 ment other than a corporation for the purposes of the Budget
2 and Accounting Act, 1921, and other provisions of law
3 relating to appropriations, expenditures, receipts, accounts,
4 and other fiscal matters, and shall not be subject to the pro-
5 visions of this Act other than this section. The corporate
6 entity shall not be affected by this section.

7 TITLE II—MIXED-OWNERSHIP GOVERNMENT
8 CORPORATIONS

9 SEC. 201. As used in this Act the term “mixed-owner-
10 ship Government corporations” means (1) the Central
11 Bank for Cooperatives and the Regional Banks for Coopera-
12 tives, (2) Federal Land Banks, (3) Federal Home Loan
13 Banks, and (4) Federal Deposit Insurance Corporation.

14 SEC. 202. The financial transactions of mixed-owner-
15 ship Government corporations for any period during
16 which Government capital has been invested therein shall
17 be audited by the General Accounting Office in accordance
18 with the principles and procedures applicable to commercial
19 corporate transactions and under such rules and regulations
20 as may be prescribed by the Comptroller General of the
21 United States. The audit shall be conducted at the place
22 or places where the accounts of the respective corporations
23 are normally kept. The representatives of the General
24 Accounting Office shall have access to all books, accounts,
25 financial records, reports, files, and all other papers, things,

1 or property belonging to or in use by the respective cor-
2 porations and necessary to facilitate the audit, and they
3 shall be afforded full facilities for verifying transactions with
4 the balances or securities held by depositaries, fiscal agents,
5 and custodians. The audit shall begin with the first fiscal
6 year commencing after the enactment of this Act.

7 SEC. 203. A report of each such audit for each fiscal
8 year ending on June 30 shall be made by the Comptroller
9 General to the Congress not later than January 15, following
10 the close of the fiscal year for which such audit is made.
11 The report shall set forth the scope of the audit and shall
12 include a statement (showing intercorporate relations) of
13 assets and liabilities, capital and surplus or deficit; a state-
14 ment of surplus or deficit analysis; a statement of income
15 and expense; a statement of sources and application of
16 funds; and such comments and information as may be
17 deemed necessary to keep Congress informed of the oper-
18 ations and financial condition of, and the use of Government
19 capital by, each such corporation, together with such recom-
20 mendations with respect thereto as the Comptroller General
21 may deem advisable, including a report of any impairment
22 of capital or lack of sufficient capital noted in the audit and
23 recommendations for the return of such Government capital
24 or the payment of such dividends as, in his judgment, should
25 be accomplished. The report shall also show specifically

1 any program, expenditure, or other financial transaction
2 or undertaking observed in the course of the audit, which,
3 in the opinion of the Comptroller General, has been carried
4 on or made without authority of law. A copy of each report
5 shall be furnished to the President, to the Secretary of the
6 Treasury, and to the corporation concerned at the time
7 submitted to the Congress.

8 SEC. 204. The President shall include in the annual Budget
9 any recommendations he may wish to make as to the return
10 of Government capital to the Treasury by any mixed-owner-
11 ship corporation.

12 TITLE III—GENERAL PROVISIONS

13 SEC. 301. (a) The expenses of auditing the financial
14 transactions of wholly owned and mixed-ownership Gov-
15 ernment corporations as provided in sections 105 and 202 of
16 this Act shall be borne out of appropriations to the General
17 Accounting Office, and appropriations in such sums as may
18 be necessary are hereby authorized: *Provided*, That each
19 such corporation shall reimburse the General Accounting
20 Office for the full cost of any such audit as billed therefor
21 by the Comptroller General, and the General Accounting
22 Office shall deposit the sums so reimbursed into the Treasury
23 as miscellaneous receipts: *Provided further*, That in making
24 the audits provided in said sections the Comptroller General
25 shall, to the fullest extent deemed by him to be practicable,

1 utilize reports of examinations of Government corporations
2 made by a supervising administrative agency pursuant to
3 law.

4 (b) For the purpose of conducting such audit the
5 Comptroller General is authorized in his discretion to employ
6 not more than ten persons without regard to the Classifica-
7 tion Act of 1923, as amended, only one of whom may be
8 compensated at a rate of as much as but not more than
9 \$10,000 per annum, and to employ by contract, without
10 regard to section 3709 of the Revised Statutes, professional
11 services of firms and organizations for temporary periods
12 or for special purposes.

13 (c) The audit provided in sections 105 and 202 of this
14 Act shall be in lieu of any audit of the financial transactions
15 of any Government corporation required to be made by the
16 General Accounting Office for the purpose of a report to the
17 Congress or to the President under any existing law.

18 (d) Unless otherwise expressly provided by law, no
19 funds of any Government corporation shall be used to pay
20 the cost of any private audit of the financial records of the
21 offices of such corporation, except the cost of such audits
22 contracted for and undertaken prior to April 25, 1945.

23 SEC. 302. The banking or checking accounts of all
24 wholly owned and mixed-ownership Government corpora-
25 tions shall be kept with the Treasurer of the United States,

1 or, with the approval of the Secretary of the Treasury, with
2 a Federal Reserve bank, or with a bank designated as a
3 depository or fiscal agent of the United States: *Provided*,
4 That the Secretary of the Treasury may waive the require-
5 ments of this section under such conditions as he may deter-
6 mine: *And provided further*, That this section will not apply
7 to the establishment and maintenance in any bank for a
8 temporary period of banking and checking accounts not in
9 excess of \$50,000 in any one bank. The provisions of this
10 section shall not be applicable to Federal Intermediate Credit
11 Banks, Production Credit Corporations, the Central Bank
12 for Cooperatives, the Regional Banks for Cooperatives, or
13 the Federal Land Banks, except that each such corporation
14 shall be required to report annually to the Secretary of the
15 Treasury the names of the depositories in which such cor-
16 poration keeps a banking or checking account, and the Sec-
17 retary of the Treasury may make a report in writing to the
18 corporation, to the President, and to the Congress which
19 he deems advisable upon receipt of any such annual report.

20 SEC. 303. (a) All bonds, notes, debentures, and other
21 similar obligations which are hereafter issued by any wholly
22 owned or mixed-ownership Government corporation and
23 offered to the public shall be in such forms and denomina-
24 tions, shall have such maturities, shall bear such rates of
25 interest, shall be subject to such terms and conditions, shall

1 be issued in such manner and at such times and sold at such
2 prices as have been or as may be approved by the Secretary
3 of the Treasury.

4 Hereafter, no wholly owned or mixed-ownership Gov-
5 ernment corporation shall sell or purchase any direct obli-
6 gation of the United States or obligation guaranteed as to
7 principal or interest, or both, for its own account and in its
8 own right and interest, at any one time aggregating in
9 excess of \$100,000, without the approval of the Secretary
10 of the Treasury: *Provided*, That the Secretary of the Treas-
11 ury may waive the requirement of his approval with respect
12 to any transaction or classes of transactions subject to the
13 provisions of this subsection for such period of time and
14 under such conditions as he may determine.

15 (c) The Secretary of the Treasury is hereby author-
16 ized to exercise any of the functions vested in him by this
17 section through any officer or employee of any Federal
18 agency whom he may designate, with the concurrence of
19 the head of the agency concerned, for such purpose.

20 (d) Any mixed-ownership Government corporation
21 from which Government capital has been entirely withdrawn
22 shall not be subject to the provisions of section 302 or of this
23 section during the period such corporation remains without
24 Government capital. The provisions of subsections (a) and
25 (b) of this section shall not be applicable to Federal Inter-

1 mediate Credit Banks, Production Credit Corporations, the
2 Central Bank for Cooperatives, the Regional Banks for
3 Cooperatives, or the Federal Land Banks, except that each
4 such corporation shall be required to consult with the Secre-
5 tary of the Treasury prior to taking any action of the kind
6 covered by the provisions of subsections (a) and (b) of this
7 section, and in the event an agreement is not reached, the
8 Secretary of the Treasury may make a report in writing
9 to the corporation, to the President, and to the Congress
10 stating the grounds for his disagreement.

11 SEC. 304. (a) No corporation shall be created, organ-
12 ized, or acquired hereafter by any officer or agency of the
13 Federal Government or by any Government corporation for
14 the purpose of acting as an agency or instrumentality of the
15 United States, except by Act of Congress or pursuant to an
16 Act of Congress specifically authorizing such action.

17 (b) No wholly owned Government corporation created
18 by or under the laws of any State, Territory, or possession
19 of the United States or any political subdivision thereof, or
20 under the laws of the District of Columbia, shall continue
21 after June 30, 1948, as an agency or instrumentality of the
22 United States, and no funds of, or obtained from, the United
23 States or any agency thereof, including corporations, shall
24 be invested in or employed by any such corporation after that
25 date, except for purposes of liquidation. The proper corpo-

1 rate authority of every such corporation shall take the neces-
2 sary steps to institute dissolution or liquidation proceedings
3 on or before that date: *Provided*, That prior thereto any
4 such corporation may be reincorporated by Act of Congress
5 for such purposes and term of existence and with such pow-
6 ers, privileges, and duties as authorized by such Act, includ-
7 ing the power to take over the assets and assume the liabili-
8 ties of its respective predecessor corporation.

79TH CONGRESS
1ST SESSION

H. R. 3660

A BILL

To provide for financial control of Government corporations.

By Mr. WHITTINGTON

JULY 3, 1945

Referred to the Committee on Expenditures in the
Executive Departments

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued July 6, 1945, for actions of Thursday, July 5, 1945)

(For staff of the Department only)

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HIGHLIGHTS: House committee reported corporation-control bill. Rep. Bates urged Agriculture jurisdiction over fisheries. Reps. LaFollette and Voorhis introduced food-allotment bills. House passed new war agencies appropriation bill. Rep. Murray criticized grain and feed imports. Rep. Hill commended Secretary Anderson's appointment.

HOUSE

1. WAR AGENCIES APPROPRIATION BILL, 1946. Passed with amendments this bill, H.R. 3649, after rejecting Rep. Taber's motion to recommit (pp. 7336-46)

The following items were stricken on points of order by:

Rep. Marcantonio, N.Y., National War Labor Board, Office of Defense Transportation, Office of Inter-American Affairs, Office of War Information, and War Shipping Administration;

Rep. Celler, N.Y., Office of Economic Stabilization, Office of Scientific Research and Development, and Petroleum Administrator for War;

Rep. Norton, N.J., War Production Board, and Office of Strategic Services (pp. 7336-8).

Reps. Rankin, Miss., and May, Ky., discussed the authority for appropriations for agencies established by presidential order under the War Powers Act (pp. 7336-7). Rep. Rich, Pa., urged economy in Federal expenditures (p. 7344). Reps. Hendricks, Fla., Whittington, Miss., and Marcantonio, N.Y., discussed FEPC (pp. 7340-6).

2. FOOD SUPPLY; FISHERIES. Rep. Bates, Mass., discussed the importance of fisheries to the food supply and stated that "fisheries should come under the jurisdiction of the Department of Agriculture and...should receive...the same care and attention as the Department...gives to every other part of the food supply system" (pp. 7359-60).
3. TAXATION. Rep. Patman, Tex., commended Alabama's action rescinding former endorsement of proposed limitation of 25% of income for taxes (pp. 7346-9). Agreed, 211-131, to resolution providing for consideration of H.R. 3633, the new tax bill "to facilitate reconversion" (pp. 7349-56).
4. FULL-EMPLOYMENT BUDGET. Rep. Outland, Calif., urged early consideration of legislation providing for a full-employment budget (pp. 7360-1).

5. BRETON WOODS AGREEMENTS. Rep. Kunkel, Pa., urged prompt acceptance of these agreements (p. 7328).
6. RURAL ELECTRIFICATION. Reps. Tarver, Ga., Rankin, Miss., and others discussed the editorial changes made in the transcript for the Congressional Record in connection with a discussion on the floor of the House on the REA item in the second deficiency appropriation bill (pp. 7330-5, 7339-40).
7. GOVERNMENT CORPORATIONS. Expenditures in the Executive Departments Committee reported without amendment H.R. 3660, to provide for financial control of Governmental corporations (H.Rept. 856)(p. 7376).
8. PERSONNEL CEILINGS. Received Budget Bureau's final report on personnel-ceiling activities for the fiscal year 1945. To Civil Service Committee. (p. 7376.)
9. HOUSING. Received the third annual report of the National Housing Agency. To Public Buildings and Grounds Committee. (p. 7376.)

SENATE

NOT IN SESSION. Next meeting Fri., July 6.

10. CLAIMS. Received (June 30, 1945) from the President supplemental appropriation estimates for payment of judgments rendered by the Court of Claims (S. Doc. 64) and for payment of claims allowed by GAO (S. Doc. 66).
11. ROADS. Received (July 3, 1945) from the President supplemental appropriation estimate of \$25,000,000 and proposed contract authority of \$75,000,000 for carrying out the Federal Highway Act (S. Doc. 71).

BILLS INTRODUCED

12. DAYLIGHT-SAVING TIME. H.R. 3679, by Rep. Cannon, Mo., to restore standard time. To Interstate and Foreign Commerce Committee. (p. 7376.)
13. POSTAGE RATES. H. R. 3693, by Rep. Hartley, N. J., to provide for the transfer of books from fourth-class mail matter (parcel post) to second-class mail matter. To Post Office and Post Roads Committee. (p. 7377.)
14. INVENTIONS. H. R. 3694, by Rep. Hartley, N.J., to declare the national policy regarding the test for determining invention. To Patents Committee. (p.7377.)
15. FOOD-ALLOTMENT PROGRAM. H. R. 3695, by Rep. LaFollette, Ind., and H. R. 3696, by Rep. Voorhis, Calif., to provide for a food-allotment program. To Agriculture Committee. (p. 7377.)
16. VETERANS. H. R. 3682, H. R. 3684, and H. R. 3685.

ITEMS IN APPENDIX

17. SUGAR SHORTAGE. Rep. Hill, Colo., commended the appointment of Secretary Anderson and discussed the sugar "shortage" and prices (pp. A3548-9).
18. PRICE CONTROL; RATIONING. Extension of remarks of Rep. Mason, Ill., criticizing the OPA bill and inserting a Chicago Tribune editorial on the subject(p.A3546).

argumentative corner over the figure 65,000,000.

It is always important to be certain that there is public understanding of and support of a measure as comprehensive as this. During the summer it is up to every cosponsor of this measure and every other Member of this House who is deeply interested in this bill to speak about it in his own home district; to tell his people what the purposes of the bill are, its provisions, and its limitations. In this way the people of the United States will hear from their own elected Representatives about what I firmly believe to be one of the most important proposals ever to be brought before this Congress. By such work, each of us will be making a special contribution toward solving unemployment in America.

Finally I want to point out again that prompt action is necessary. Unemployment is not a vague condition that may arise at some distant future date. It is here now, and is daily growing in intensity. We in this Congress cannot shift responsibility; we cannot evade the issue. Our people want action, and the demands will increase as the roles of the unemployed mount during the coming months. I beg with the membership of this House not to postpone action. I beg of the chairman and the members of the great Committee on Executive Expenditures not to wait for the other body to act. Let us act now. This House, by its favorable action on such measures as the Bretton Woods bill, has demonstrated to the people of America that it is wholeheartedly back of a policy of international cooperation. Let us now demonstrate that we are also wholeheartedly back of a program of jobs for all here on the domestic front. Mr. Speaker, through our action on this and additional measures, let us eventually put unemployment in America in the same category as isolationism in America—out of the picture.

UNEMPLOYMENT AND WORLD PEACE

Unemployment is far more than a domestic problem. It is a world problem, whether or not we choose to insure full employment after the war and beginning as the war ends. On whether or not we decide and act, here in this House and in the Congress, to banish chronic mass unemployment here in the U. S. A. depends the world's hope of lasting peace. A United States of America operating at full production and employment levels means a prosperous nation and a prosperous people; a prosperous U. S. A. is an essential to prosperity throughout the world. It does not insure prosperity everywhere, but it makes it possible. On the other hand, depression in the United States will make prosperity elsewhere impossible. If, after the war, we ride the devil's scenic railway of unregulated boom and bust or head straight into depression without even the false boom of runaway inflation, the world goes with us into the vicious spiral. And with us goes the world's hope for a just and lasting peace.

Properly, full employment is now written into the Charter of the United Nations, now before the Senate for rati-

fication. That charter will be ratified by an overwhelming vote. Our ratification commits us to the purposes and objectives of that charter, including the attainment and maintenance of full employment. It is high time that we in this country put our own house in order, that we prepared to make good, here at home in our own economy, on the high promises which we have undertaken at San Francisco in the sight of all men and of our God.

With full employment, we can be good neighbors; with unemployment, we can neither be friendly and cooperative with other nations, nor can we, here in our own country, be decent, fair, and democratic toward each other. Just as, among ourselves, depressions produce fear, discrimination, hate, and division among classes, groups, races, colors, sexes, and ages, so world depression leads down the same road to war. Therefore, in talking full employment, in examining the problems and the opportunities it presents to us, and in proposing that we, here in this House, do something about it without further delay, I believe I am proposing to implement, in a very practical and fundamental way, the United Nations Charter now before the Senate. The Senate may ratify the charter; the House can still be the first to give it insurance of life by enacting the full employment bill of 1945. And, Mr. Speaker, the time for effective action is very short, and growing shorter daily.

(Mr. OUTLAND asked and was given permission to revise and extend his remarks, and include therein certain material.)

RECOGNITION OF LEADERSHIP OF MEN IN ACTION

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. REES of Kansas. Mr. Speaker, I realize that I am not an authority on the question as to who should be granted promotions in the armed forces. I do feel, however, that there are a good many men who have shown outstanding qualities of leadership and responsibility who have not been given the consideration to which they are entitled. I have in mind today, for example, Pfc Harold Johnson, of Wamego, Kans., who has been a member of the armed forces for more than 2 years. Private Johnson is a company medical-aid man serving with the Seventh Infantry Division in Okinawa.

I am including herewith a statement that appeared in one of my local papers concerning Pfc Harold Johnson. It reads as follows:

WITH THE SEVENTH INFANTRY DIVISION ON OKINAWA, June 12.—The history of heroism in the medics of this famed Pacific division of four major campaigns is long and vallant and near the top is the deed of Pfc Harold Johnson, 20, of Wamego, Kans.

In the battle for Conical Hill, the highest peak on this home island of Japan, an entire rifle company was pinned down in the assault by Jap defenders on the crest. Faced with

the threat of being cut off, the company began withdrawing to the main force of Americans.

In the action 11 men were trapped and unable to pull back because of intense enemy small-arms fire.

Johnson, a company medical-aid man, who was familiar with the rugged terrain, volunteered to go out under fire and lead the apparently doomed men back to safety.

Upon reaching them, the Kansan learned 4 of the 11 had been wounded by enemy fire. Taking one of the wounded with him, he led the other seven to safety before returning for the other three on separate trips.

Private Johnson entered the Army in 1943.

It occurs to me, Mr. Speaker, that while we are granting commissions and promotions to men in the Pentagon and other places, it might be well to give more consideration to young men like Pfc Harold Johnson, who has been in the Army for more than 2 years and who has shown outstanding leadership and gallantry of service under enemy fire, but who still remains a private first class.

[Mr. HOOK addressed the House. His remarks will appear hereafter in the Appendix.]

(Mr. HOOK asked and was given permission to revise and extend his remarks and include the OPA release.)

EXTENSION OF REMARKS

Mr. MICHENER (at the request of Mr. SCHWABE of Missouri) was granted permission to revise and extend the remarks he made today.

BILLS AND JOINT RESOLUTIONS PRESENTED TO THE PRESIDENT

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee did on the following dates present to the President for his approval bills and joint resolutions of the House of the following titles:

July 3, 1945:

H. R. 44. An act to amend the act entitled "An act to provide for the disposal of certain records of the United States Government";

H. R. 852. An act for the relief of Betty Jane Ritter;

H. R. 1007. An act for the relief of Mrs. Beatrice Brown Waggoner;

H. R. 1008. An act for the relief of Mrs. Harriette E. Harris;

H. R. 1601. An act for the relief of Dorothy M. Moon;

H. R. 1647. An act to authorize the Secretary of War to convey to the Captain William Edmiston Chapter of the Daughters of the American Revolution a certain building and tract or parcel of land situated in Montgomery County, Tenn.;

H. R. 1917. An act for the relief of John R. Jennings;

H. R. 2060. An act for the relief of D. W. Key;

H. R. 2477. An act to give recognition to the noncombatant services under enemy fire performed by officers and enlisted men of the Medical Corps of the Army;

H. R. 2515. An act for the relief of Harland Bartholomew & Associates;

H. R. 2685. An act to reimburse certain naval personnel and former naval personnel for personal property lost or damaged as a result of a fire in the bachelor officers' quarters known as Macqueripe Annex, located at the United States naval operating base, Trinidad, British West Indies, on June 11, 1944;

H. R. 2856. An act to provide for better enforcement of law within the District of Columbia, and for other purposes;

H. R. 2995. An act to amend an act entitled "An act to create a revenue in the District

of Columbia by levying a tax upon all dogs therein, to make such dogs personal property, and for other purposes," approved June 10, 1878, as amended;

H. R. 3024. An act making appropriations for the Department of the Interior for the fiscal year ending June 30, 1946, and for other purposes;

H. R. 3118. An act to amend section 100 of Public Law No. 346, Seventy-eighth Congress, June 22, 1944, to grant certain priorities to the Veterans' Administration, and for other purposes;

H. R. 3199. An act making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies for the fiscal year ending June 30, 1946, and for other purposes;

H. R. 3201. An act to amend the District of Columbia Alley Dwelling Act, approved June 12, 1934, as amended;

H. R. 3257. An act to remove restrictions to the appointment of retired officers of the United States Public Health Service or retired civilian employees of the United States Government or District of Columbia government as Superintendent of Gallinger Municipal Hospital in the District of Columbia, and for other purposes;

H. R. 3266. An act to amend the Federal Food, Drug, and Cosmetic Act of June 25, 1938, as amended, by providing for the certification of batches of drugs composed wholly or partly of any kind of penicillin or any derivative thereof, and for other purposes;

H. R. 3269. An act further amending the part of the act entitled "An act making appropriations for the naval service for the fiscal year ending June 30, 1921, and for other purposes," approved June 4, 1920, as amended, relating to the conservation, care, custody, protection, and operation of the naval petroleum and oil-shale reserves;

H. R. 3287. An act to authorize the attendance of the Marine Band at the national encampment of the Grand Army of the Republic to be held at Columbus, Ohio, September 9 to 14, inclusive, 1945;

H. R. 3436. An act providing for a medal for service in the armed forces during the present war;

H. R. 3550. An act making appropriations for the Military Establishment for the fiscal year ending June 30, 1946, and for other purposes;

H. R. 3579. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1945, and for prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1945, and June 30, 1946, to provide appropriations for the fiscal year ending June 30, 1946, and for other purposes;

H. R. 3607. An act to authorize the President to appoint Gen. Omar N. Bradley to the office of Administrator of Veterans' Affairs, without affecting his military status and perquisites;

H. J. Res. 202. Joint resolution reducing certain appropriations available in the fiscal year ending June 30, 1945; and

H. J. Res. 215. Joint resolution authorizing the production of petroleum for the national defense from Naval Petroleum Reserve No. 1.

On July 5, 1945.

H. R. 3240. An act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

ADJOURNMENT

Mr. OUTLAND. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 14 minutes p. m.), under its previous order, the House adjourned until tomorrow, Friday, July 6, 1945, at 11 o'clock a. m.

COMMITTEE HEARINGS

COMMITTEE ON WORLD WAR VETERANS' LEGISLATION

(Friday, July 6, 1945)

There will be a meeting of the Committee on World War Veterans' Legislation, in executive session, on Friday, July 6, 1945, at 10 o'clock, a. m., in the committee room 356, Old House Office Building.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

(Friday, July 6, 1945)

There will be a meeting of the Committee on Public Buildings and Grounds at 10:30 a. m. on Friday, July 6, 1945, for consideration of House Joint Resolution 31.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

601. A letter from the Director, Bureau of the Budget, transmitting a report containing five tables, covering the determinations by the Director of the Bureau of the Budget during the fourth quarter of the fiscal year 1945, of the numbers of employees required by the executive departments and agencies for the proper and efficient exercise of their respective functions; to the Committee on the Civil Service.

602. A letter from the Administrator, National Housing Agency, transmitting the third annual report of the National Housing Agency for the calendar year 1944; to the Committee on Public Buildings and Grounds.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. COCHRAN: Committee on Accounts. House Resolution 305. Resolution to provide for further expenses of investigation authorized by House Resolution 138, Seventy-ninth Congress; without amendment (Rept. No. 855). Referred to the House Calendar.

Mr. WHITTINGTON: Committee on Expenditures in the Executive Departments. H. R. 3660. A bill to provide for financial control of Government corporations; without amendment (Rept. No. 856). Referred to the Committee of the Whole House on the State of the Union.

Mr. WOODRUM of Virginia: Select Committee on Postwar Military Policy. Report pursuant to House Resolution 465 of the Seventy-eighth Congress, second session, and House Resolution 55 of the Seventy-ninth Congress, concerning, universal military training (Rept. No. 857). Referred to the Committee of the Whole House on the State of the Union.

Mr. DAVIS: Committee on Military Affairs. H. R. 2240. A bill to amend the Pay Readjustment Act of 1942, as amended, and for other purposes; with amendment (Rept. No. 858). Referred to the Committee of the Whole House on the State of the Union.

Mr. McGEHEE: Committee on Claims. H. R. 3111. A bill to amend the act approved January 2, 1942, as amended, approved April 22, 1943, entitled "An act to provide for the prompt settlement of claims for damages occasioned by Army, Navy, and Marine Corps forces in foreign countries"; without amendment (Rept. No. 859). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. STIGLER: Committee on Claims. S. 90. An act for the relief of the estate of George O'Hara; without amendment (Rept. No. 860). Referred to the Committee of the Whole House.

Mr. CASE of New Jersey: Committee on Claims. S. 620. An act for the relief of the widow of Joseph C. Akin; without amendment (Rept. No. 861). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. H. R. 3574. A bill for the relief of certain claimants who suffered loss by flood in, at, or near Bean Lake in Platte County, in the State of Missouri, during the month of March 1934; without amendment (Rept. No. 862). Referred to the Committee of the Whole House.

Mr. DAVIS: Committee on Military Affairs. H. R. 239. A bill for the relief of Dr. Ernest H. Stark; without amendment (Rept. No. 863). Referred to the Committee of the Whole House.

Mr. DAVIS: Committee on Military Affairs. H. R. 240. A bill for the relief of Dr. James M. Hooks; without amendment (Rept. No. 864). Referred to the Committee of the Whole House.

Mr. MAY: Committee on Military Affairs. H. R. 1236. A bill to authorize the Secretary of War to quitclaim to Chanslor-Canfield Midway Oil Co. subsurface mineral and water rights in 211.36 acres of land in the county of Los Angeles, Calif.; with amendment (Rept. No. 865). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bill and resolutions were introduced and severally referred as follows:

By Mr. BROWN of Georgia:

H. R. 3678. A bill to repeal the automobile-use tax; to the Committee on Ways and Means.

By Mr. CANNON of Missouri:

H. R. 3679. A bill to restore standard time; to the Committee on Interstate and Foreign Commerce.

By Mr. CASE of South Dakota:

H. R. 3680. A bill to provide for the purchase of restricted Indian lands from heirs or from any Indian over 60 years of age; to the Committee on Indian Affairs.

H. R. 3681. A bill to provide for removal of restrictions on property of Indians who serve in the armed forces; to the Committee on Indian Affairs.

By Mr. KILDAY:

H. R. 3682. A bill to amend section 302 (a) of Public Law 346, Seventy-eighth Congress; to the Committee on World War Veterans' Legislation.

H. R. 3683. A bill to provide retirement from active service of Army, Navy, Marine Corps, and Coast Guard personnel under certain conditions; to the Committee on Military Affairs.

By Mr. TRIMBLE:

H. R. 3684. A bill to permit the use of clerk hire for contributing to the compensation of individuals appointed by State delegations to assist such delegations in matters relating to veterans; to the Committee on Accounts.

By Mrs. ROGERS of Massachusetts:

H. R. 3685. A bill to provide adequate nurse or attendant allowance to service disabled veterans, and for other purposes; to the Committee on World War Veterans' Legislation.

PROVIDING FOR FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

JULY 5, 1945.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WHITTINGTON, from the Committee on Expenditures in the Executive Departments, submitted the following

R E P O R T

[To accompany H. R. 3660]

The Committee on Expenditures in the Executive Departments, to whom was referred the bill (H. R. 3660) to provide for financial control of Government corporations, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The bill, H. R. 3660, reported on herein supersedes the bill H. R. 2177, to provide for financial control of Government corporations, which is printed in the appendix, an identical bill, H. R. 2051, having been introduced by Mr. Case of South Dakota. The committee held extensive hearings which are available on H. R. 2177, at the conclusion of which it authorized the introduction and reporting of a new bill, H. R. 3660, embodying all amendments agreed upon as a result of the hearings. The reports in the appendix were submitted on the original H. R. 2177, and the new bill, H. R. 3660, completely removes all valid objections contained in the reports on the original bill.

NEED FOR LEGISLATION

During the past 25 years Government corporations have assumed a role of increasing importance in the financial structure of the Government. However, during that time there has been developed no over-all financial coordination and control of such corporate activities comparable to those provided by the Budget and Accounting Act, 1921, for the regular Government departments and establishments. That act, designed to provide a budget system and an independent audit for Government expenditures, was enacted at a time when Government corporations did not form an important part of the total

governmental financial picture. Aside from the Panama Railroad Company and the Federal land banks, the Government corporations then in existence were wartime corporations even then in various stages of liquidation. With the exception of the Federal intermediate credit banks and the Inland Waterways Corporation, this situation continued practically unchanged until the creation of the Reconstruction Finance Corporation in 1932. The establishment of this Corporation marked the advance of Government into new fields of economic activity, a trend which has continued until today there are 101 separate Government corporations engaged in various fields of production, transportation, generation of power, loans, housing, insurance, and other lines of business.

The magnitude of the operations of Government corporations is evident from an analysis of their combined balance sheets as of March 31, 1945, included in the appendix. As of this date, gross assets of these corporations amounted to 29.6 billion dollars, gross liabilities totaled 28.4 billion dollars, and net worth amounted to 1.2 billion dollars. Of the total gross assets, the major items, after taking out reserves for valuation and estimated losses, consisted of 13.3 billion dollars in loans receivable; 7.8 billion dollars in land, structures, and equipment; 2.9 billion dollars in commodities, supplies, and materials; 2.1 billion dollars in investments; and 1.6 billion dollars in other receivables. Of the total gross liabilities, 22 billion dollars were in bonds, notes, and debentures issued by the corporations, of which 11.6 billion dollars were held by the Treasury, 8.1 billion dollars were held by Government corporations, and 2.3 billion dollars were held by the public. It is also significant to note that during the 9 months ended March 31, 1945, the financing, investment, and lending operations reported by the corporations reflect, on a combined basis, borrowings of 7.9 billion dollars and repayment of borrowings of 7.5 billion dollars; investments of corporation funds of 0.6 billion dollars and repayment of investments of 0.8 billion dollars; and loans made of 6.6 billion dollars and repayments on loans of 6.8 billion dollars.

In the past decade there has been increasing awareness in the legislative and the executive branches that the financial program of the Government cannot be effectively coordinated without some control over Government corporations. At the same time, it has been recognized that Government corporations were created to conduct their activities with a freedom thought to be inconsistent with the types of financial control applicable to the regular Government departments and agencies. While various steps have been taken from time to time by the President and by the Congress to bring Government corporations under some measure of financial control, the type and degree of control effected has varied widely among the corporations, often without regard to the real needs of the situation or the relation of the corporation to the general financial program of the Government. Because of this, the annual Budget submitted by the President to the Congress is incomplete, and until the enactment of Public Law 4, approved February 24, 1945, the audit by the General Accounting Office was in a similar state. Likewise, the Treasury Department in its administration of the general fiscal program of the Government depends in many cases upon voluntary cooperation of numerous Government corporations in arranging and reporting their financial transactions.

The perplexing problems just described were made the subject of a thorough study by the Joint Committee on Reduction of Nonessential Federal Expenditures, which issued its resulting report on Government corporations on August 1, 1944. That report was printed as Senate Document No. 227, Seventy-eighth Congress, and following its publication there were introduced S. 469, H. R. 2051, and H. R. 2177, Seventy-ninth Congress, first session, embodying recommendations of the report designed to establish financial control over Government corporations by the Congress, the President through the Bureau of the Budget, the Treasury Department, and the General Accounting Office, with due regard to the need for flexibility in the operations of such corporations.

The Comptroller General of the United States, the Director of the Bureau of the Budget, and the Treasury Department have strongly endorsed the objectives of this bill. The language of the accompanying bill was drafted after full hearings, at which all Government corporations were given an opportunity to appear and state their views. Also, reports received from all Government corporations, and printed in the appendix hereto, were given careful consideration by the committee. Every effort has been made to frame this bill in such a manner as to provide for the necessary over-all financial control without interfering with the required flexibility of operation of the corporations affected. It cannot be denied that this bill will have some effect on such operations, many of which have heretofore been subject to no general financial control whatsoever by the established fiscal agencies of the Government, the President, or the Congress. However, the committee feels that the individual interests of the corporations concerned, which are only instrumentalities of the Government, must be balanced in this regard against the general interest of the Government and the taxpayers.

This legislation is strongly supported by the President, as indicated by the Director of the Bureau of the Budget in his testimony before the committee, and by the following letter received from the White House under date of June 11, 1945:

THE WHITE HOUSE,
Washington, June 11, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives.*

MY DEAR MR. MANASCO: I am writing this note to eliminate any misunderstanding as to my attitude on the Byrd-Butler bill which is now before your committee as H. R. 2177.

I heartily favor this proposal. It is a long-delayed forward step applying the sound doctrine of an Executive budget, as enacted in the Budget and Accounting Act of 1921, to the many important Government corporations which have since come upon the scene.

Sincerely yours,

HARRY S. TRUMAN.

Attention is invited to the fact that the President's letter was written in support of H. R. 2177 in its original form, which would have imposed on the corporations concerned much more stringent financial controls than those proposed by the present bill, H. R. 3660.

The committee is fully aware of the organized effort on the part of certain corporations to oppose the enactment of any legislation to extend financial control over their operations. Surely the Congress which has been responsible for creating the vast majority of the

Government corporations retains the right to exercise control over their activities—a right which it has delayed too long in asserting.

The committee, on the other hand, is appreciative of the cooperative attitude displayed by the officials of certain corporations, particularly the Reconstruction Finance Corporation. This Corporation is the largest, and probably the most complicated, of all Government corporations. Yet it has expressed its agreement with the principle that Congress should have an opportunity annually to scrutinize and pass upon the activities of Government corporations within the framework of a system of budget control, while preserving the flexibility necessary to the operations of the corporate form of Government instrumentality. Attention is directed to the statement on behalf of the Corporation which is reproduced in the appendix.

PURPOSES OF THE BILL

The power of the purse is one of the most important powers reserved to the Congress in the Constitution. In the case of many Government corporations the Congress has not adequately exercised its power to control public expenditures. This bill is designed to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof through the regular fiscal agencies of the Government.

The committee recognizes that there are certain activities of Government that can be more effectively administered through the corporate device than by a regular agency. Therefore, the development of financial controls must necessarily take into account certain peculiarities of the corporate device, since to do otherwise might impair the ability of the corporations to carry out their statutory responsibilities. The committee, however, is unwilling to admit that these characteristics are so unique that the application of any financial control by the Congress or the executive branch of the Government will hamper the corporations in the execution of their authorized programs.

It is not the purpose of the bill to attack or destroy any Government corporation or to place any corporation in a strait-jacket. Rather, the bill is designed to coordinate the financial operations of the corporations with those of the Government in general. Due to their magnitude, the financial transactions of Government corporations have a distinct bearing upon the general financial condition and fiscal policies of the Government. Properly administered, the requirements of the bill should facilitate the operations of the corporations by giving them a periodic opportunity to appear before the Congress and justify their programs. This should be an improvement, from every standpoint over the present condition, under which certain corporations frequently are required to appear before numerous committees within the course of a year, while other corporations are not subjected in any way to the annual scrutiny of the Congress. This bill corrects the situation by providing for an annual congressional scrutiny of the entire operations of all wholly owned Government corporations and a review of their programs for the ensuing fiscal year. The committee feels that suspicion, sometimes unjust, has in the past been generated in the minds of many by the lack of just such a regular means of reviewing the activities and the plans of the Government corporations.

Emphasis is placed by the bill on the types of programs in which the corporations are engaged. While annual reports are now submitted to the Congress, setting forth the accomplishments of the corporations, such reports are not uniform in character, nor are they subjected to a careful review by the Congress. This bill establishes a procedure for the submission of regular budget and audit reports relatively uniform in character which will be subjected to annual review and action thereon by the Congress.

The bill distinguishes between wholly owned Government corporations, in which the Government holds all the stock or other capital interests, and mixed-ownership Government corporations, in which the Government has only a partial interest.¹ As to wholly owned corporations, it provides a business-type budget to be incorporated as a part of the annual Budget of the Federal Government. As to both classes of corporations, it provides for an annual commercial-type audit by the General Accounting Office and a report thereof to the Congress. With certain exceptions, the bill also provides for over-all Treasury control of the depositaries, financing, and Government security transactions of all Government corporations.

The committee directs attention to the fact that there are still in existence certain corporations established during World War I which should have been completely liquidated years ago. This situation should be corrected under the provisions of this bill, since the annual scrutiny of each corporation's operations should permit Congress to take whatever steps are required to assure liquidation of the corporation when it is no longer required for the purpose for which it was originally established.

BUSINESS-TYPE BUDGET

The bill delegates broad responsibility to the President, through the Bureau of the Budget, to prescribe the form and content of the business-type budget or plan of operations required to be submitted annually to the President and the Congress by each wholly-owned Government corporation. The committee calls attention to the distinction between the business-type budget contemplated under this bill and the administrative-type budget provided for under the Budget and Accounting Act, 1921.

The business-type budget will include comparative financial statements for the corporation showing the financial condition and results of operation for the last completed fiscal year, with projections of its condition and operations for the current fiscal year and the ensuing fiscal year. These statements will include a statement of condition,

¹ The wholly owned corporations covered by H. R. 3660 include the Commodity Credit Corporation; Federal intermediate credit banks; production credit corporations; regional agricultural credit corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; the RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; The Virgin Islands Company; Federal Prison Industries, Inc.; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Inc.; Inter-American Navigation Corporation; Prencinradio, Inc.; Cargoes, Inc.; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Panama Railroad Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Inc.

The mixed-ownership corporations include the Central Bank for Cooperatives and the regional banks for cooperatives, Federal land banks, Federal home loan banks, and Federal Deposit Insurance Corporation.

a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds and such other supplementary statements and information as are necessary or desirable to make known the financial condition and plan of operations of the corporation. Such statements will set forth the major types of activities in which the corporation is engaged and provide a means of evaluating the effectiveness with which its operations are being conducted. Included as a part of the budget program will be estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds to be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

Representatives of some corporations have pointed out that in many instances accurate projections of their operations in advance would be extremely difficult, since the level of their activities depends upon the ebb and flow of economic conditions. Admittedly, this is true and this is the reason for providing a business-type budget which will include flexibility in order that the corporations may be able to adjust their operations to changes in economic conditions. The bill specifically provides that due allowance shall be given in the budget to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. Many corporations have been created or authorized by the Congress to make loans or provide services to the public within the framework of certain statutory requirements established by the Congress. These corporations must not be hampered in carrying out their responsibilities.

The committee desires to direct attention to the fact that financial control does not necessarily mean the imposition of limitations beyond those already provided as a part of the statutory authority to issue securities or stock. It does mean the right to impose additional limitations if the annual review of the budget program discloses that corporate powers have been exceeded, the will of the Congress disregarded in carrying out corporate activities, the need for the continuation of a program at a given level no longer exists, or the financial program of the Government so requires. No purpose is served by restrictive limitations which would hinder a corporation in carrying out its statutory program or which might result in the submission of frequent amendments to the annual budget program. However, in cases where the operations of a Government corporation are of such a nature as to be susceptible of more accurate forecasting, it is contemplated that the Congress may wish to specify with greater particularity limitations on the various programs to be undertaken.

It is assumed by the committee that the need for flexibility in operation will be recognized by the President and the Congress in considering and approving business-type budget programs. The Director of the Bureau of the Budget is fully aware of the need for flexibility in the business-type budget, and so stated in his testimony before the committee. The committee agrees with the statement made by the Director that the development of the business-type budget program for the corporations will be an evolutionary process and that experience will be required under the act to perfect the form and content of the budget program required to accomplish its objectives. This seems to be a sound procedure, since corporations do not fall into the

same pattern and their individual requirements must be properly evaluated.

The submission of a business-type budget program will provide the Congress with an opportunity of annually scrutinizing the effectiveness with which the objectives authorized by law are being accomplished and the officials of the corporation with an opportunity to discuss their current plans and the problems which are being encountered. It will bring the financial transactions of Government corporations together as a part of the annual budget of the Federal Government and subject such transactions to a review similar to that accorded the transactions of the regular establishments and agencies of the Government. It will apprise Congress annually of the earnings and losses of corporations in order that they may be properly evaluated in the appraisal of the Government's fiscal program. Losses of corporations should be taken into account each year as a part of the annual budget, whereas under existing law such losses may accumulate over a period of years before recognition is finally given to them by the Congress; similarly, earnings of the corporations should be taken into account in preparing the annual budget.

The committee wishes to emphasize that the budget provisions of this bill are in addition to and not a substitute for existing budgetary requirements. In other words, they do not lessen the budgetary requirements of existing law, which in the case of certain corporations call for an annual authorization by the Congress of the amount of administrative expenses which may be incurred. On the contrary, the Congress will have an opportunity to extend this principle to all wholly owned Government corporations in passing upon their budget programs.

No budget program is provided in the bill for mixed-ownership corporations, since the Government has only a partial interest in such corporations.

COMMERCIAL-TYPE AUDIT

The audit provisions of this bill require an audit of the financial transactions of wholly owned Government corporations, and of mixed-ownership Government corporations for any period during which Government capital has been invested therein. The audit is to be made by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. Such provisions represent a restatement of the audit provisions of section 5 of Public Law 4, approved February 24, 1945, which require an annual audit of the financial transactions of all Government corporations by the General Accounting Office. Because of the desirability of enacting this bill as a complete scheme setting a general pattern for financial control of Government corporations, the need for conforming the audit provisions of Public Law 4 to other provisions of this bill, and the desirability of certain clarifications in such provisions, the committee recommends that the audit provisions of this bill be enacted to supersede those of Public Law 4.

The Comptroller General and the Congress have recognized that the regular governmental type of audit may not be suitable to the operations of a Government corporation. In general, the purpose of

the governmental type of audit is to determine the validity of expenditures under appropriations made by the Congress in the light of restrictions and limitations placed by the Congress generally upon expenditures from appropriated funds. That audit is a part of a system designed to enforce the personal accountability of governmental officers authorizing or expending such funds upon the basis of documents and records ordinarily transmitted to the General Accounting Office and retained in its custody. On the other hand, the commercial type of audit, as applied to a business corporation, is separate and distinct from the accounting system and internal financial controls of the corporation, and is designed to determine the financial condition of the corporation as of a given date and the results of its financial operations during the period under audit, and to establish whether the corporate funds have been regularly expended in accordance with corporate authorization. Such determinations are made through examination of the operating and financial records of the corporation at the places where they are normally kept in the conduct of the corporate business. A more detailed description of the differences between the governmental type of audit and the commercial type will be found in the appendix to this report.

It is contemplated that the scope and extent of the audits and the manner in which they are conducted will follow generally accepted practices and procedures applied in independent audits of commercial, industrial, and banking institutions as may be determined by the Comptroller General. A report of each such audit for each fiscal year is required to be made to the Congress not later than the following January 15. Such report will set forth the scope of the audit and include, in addition to financial statements, such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the respective corporations, together with such recommendations as the Comptroller General may deem advisable. The report is also required to show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit which in the opinion of the Comptroller General has been carried on or made without authority of law. A copy of each report is required to be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to Congress.

The audit provisions of this bill do not supersede in any way the existing authority of certain Government corporations to maintain books of account; to determine and prescribe procedures to be followed in the transaction of the corporate business, including the manner in which their obligations shall be incurred and their expenses allowed and paid; to make settlement and adjustment of claims and demands by or against them and accounts in which they are concerned either as debtor or creditor; and to retain the custody of their contracts or other financial or accounting documents.

The committee has noted a disposition on the part of certain Government corporations to press for exemption from the audit provisions of this bill and to raise a doubt as to whether they are now under the audit provisions of Public Law 4. The committee not only feels that these corporations are now covered by the audit provisions of that law, but that any weakening of such provisions or exemption of any Government corporation therefrom would be a

definite backward step from the degree of financial control which should be exercised by the Congress over the corporations which are responsible to it for their existence and their financial activities.

The audit provisions of this bill will thus insure an independent audit of the financial transactions of any Government corporation in which the Government has a capital interest by the Comptroller General acting as the agent of Congress. The committee realizes that in the case of certain farm credit institutions and of the Federal home-loan banks, periodic examinations are made under existing law by examiners of the supervising administrative agency. While such examinations are independent of the banks and corporations concerned, they are integral parts of systems of administrative supervision and regulation and could not be abandoned without radically changing such systems. On the other hand, the audits made by the Comptroller General are to be independent not only of the banks and corporations, but of the supervising administrative agency as well. If such audits are to be truly independent and informative to Congress, they should not be limited or circumscribed in such a way as to prevent him from examining into and reporting the transactions of any Government corporation to the extent deemed by him to be necessary. However, the Comptroller General has assured the committee that in making his audits full consideration will be given to the effectiveness of existing systems of internal accounts, procedures, and controls, and of external examinations by an administrative supervising agency. To insure the attainment of this objective the committee has included in the bill a provision requiring the Comptroller General in making his audits to utilize to the fullest extent deemed by him to be practicable reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

The remaining audit provisions of this bill would reenact certain provisions of the First Deficiency Appropriation Act of 1945, having to do with the audit of all Government corporations by the General Accounting Office. The committee feels that such reenactment will be necessary to insure that those provisions will likewise apply in respect of the audits conducted by the General Accounting Office under this bill. The committee contemplates that when the annual audit report of the Comptroller General is submitted to the Congress, such report will be available for consideration in connection with and comparison with the financial statements developed by wholly owned Government corporations and included in their budget programs and that the comments of the Comptroller General on the operations and financial condition of such corporations, as well as his observations as to programs carried on without authority of law, will be extremely helpful to the Appropriations Committees in passing on requests of the corporations for further funds.

TREASURY APPROVAL OF FISCAL ACTIVITIES

The bill includes a requirement that banking or checking accounts of the corporations be kept with the Treasurer of the United States, or with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a designated depository or fiscal agent of the United States. Such requirement is believed to be consistent with

good fiscal policy and should not interfere with the efficient transaction of corporate business.

The Treasury Department has stressed the desirability of carrying Government funds with the Treasurer of the United States, and a number of the Government corporations now use banking facilities offered by the Treasury instead of depositing their funds in commercial banks. The provisions of the bill in this respect will contribute toward a unification of the depositary system of the Government.

Another requirement of the bill has a bearing upon the financing of the Federal Government's activities, which is one of the primary functions of the Treasury Department. This function is of such importance that financing operations by other Government agencies should be coordinated with the Treasury's program. In order to make such coordination most effective, it is believed that determination as to the time, terms, and conditions under which Government corporations may issue obligations to the public should be subject to the approval of the Secretary of the Treasury. This approval is also considered desirable in connection with the sale or purchase by the Government corporations, on their own account, of any direct or guaranteed obligations of the United States. The provisions of the bill would, in part, restate existing requirements of law with respect to approval of guaranteed obligations and would formalize arrangements under which Government corporations have cooperated with the Treasury in the issue of other corporate obligations thus assuring a unification of the financial policy of the Government.

The provisions of this bill relating to depositaries, financing, and securities will not apply to any mixed-ownership corporation from which the Government capital has been entirely withdrawn during the period such corporation remains without Government capital. The effect of the withdrawal of Government capital is to leave such a corporation in the status of a private entity not subject generally to the fiscal requirements of this bill.

The committee has expressly exempted the Federal intermediate credit banks, production credit corporations, the central bank for cooperatives, the regional banks for cooperatives, and the Federal land banks from all of the depositary, financing, and security provisions of the bill, subject to the conditions that each such exempted corporation shall report annually to the Secretary of the Treasury the name of the depositaries in which the corporation keeps its banking or checking accounts, and that the corporation shall consult with the Secretary of the Treasury before issuing securities to the public or dealing in Government obligations. The committee feels that due to the close relationship of these farm credit institutions to the local production credit associations and national farm-loan associations it is desirable to continue the present system of local control over the selection of depositaries subject to approval of the Farm Credit Administration, and that if the reports of the Secretary of the Treasury provided for in the bill disclose any irregularity or abuses, subsequent legislative action can be taken to correct the situation. Likewise, in the case of financing and security transactions of these institutions the bill formalizes the present procedure of consultation with the Secretary of the Treasury prior to taking any action, and

gives the Secretary the right to report to the corporation, the President, and the Congress for any action deemed necessary in the event he cannot agree with the proposed transaction.

MISCELLANEOUS

The committee directs attention to the many Government corporations which pay no return to the Treasury on the capital stock and paid-in surplus provided by the Federal Government. Likewise, certain corporations are overcapitalized and no longer require funds in the amount originally made available to them. This situation is unsound and imposes an unfair burden on the taxpayers. To correct this situation the bill contemplates that the Comptroller General in the audit report will make recommendations for the return of capital funds or the payment of dividends. Likewise, the President in the Annual Budget may include similar recommendations as to wholly owned corporations, and in the case of mixed-ownership corporations may recommend the return of Government capital to the Treasury. These recommendations will be reviewed by the Congress, and the corporations' officials will be given an ample opportunity to discuss them. Congress will then take whatever legislative action appears desirable in view of the disclosed facts.

In the past certain activities have been undertaken by Government corporations which could have been administered through regular establishments or agencies of the Federal Government. In these instances the committee does not consider that the corporate device has served any useful purpose. The bill contemplates that whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest that any such activity be treated as if it were a Government agency other than a corporation, such a recommendation may be made as a part of the budget program of the corporation concerned. If the Congress approved such recommendation in connection with the budget program for any fiscal year, such activities would thereafter be handled in the same manner as for any establishment other than a corporation for the purposes of the Budget and Accounting Act, 1921.

The committee does not consider the practices of chartering wholly owned Government corporations without prior authorization by the Congress or under State charters to be desirable. It believes that all such corporations should be authorized and chartered under Federal statute. The bill provides that in the future all corporations which are to be established for the purpose of acting as agencies or instrumentalities of the United States must be established by act of Congress or pursuant to an act of Congress specifically authorizing such action.

The bill also provides that after June 30, 1948, no wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States, or any political subdivision thereof, or under the laws of the District of Columbia, shall continue as an agency or instrumentality of the United States. This will accord the corporations having such charters a sufficient period of time to submit proposed legislation to the Congress to provide for their reincorporation under Federal charters.

EXPLANATION OF PROVISIONS

Section 1 provides that the bill may be cited as the "Government Corporation Control Act."

Section 2 declares it to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT CORPORATIONS

Section 101 enumerates the wholly owned Government corporations covered by this title. This includes 41 separate corporations or groups of corporations, which is increased to 63 if each corporation included in a group, i. e., Federal intermediate credit banks and production credit corporations, is counted individually.

Section 102 provides for the submission of an annual budget program by each wholly owned Government corporation to the President through the Bureau of the Budget on or before September 15. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which such budget program shall be prepared and presented. Such budget program is to be a business-type budget or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The section enumerates certain types of financial information which are to be included as a part of the budget program. In addition to the usual corporate financial statements on a comparative basis for the last completed fiscal year, with estimates for the current fiscal year and the ensuing fiscal year, the section requires the submission as a part of the budget program of estimates of operations by major types of activities together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds to be returned to the Treasury during the ensuing fiscal year, or the appropriations required to provide for the restoration of capital impairments.

Section 103 authorizes the President to modify, amend, or revise the corporations' budget programs submitted to him, and directs him to transmit the budget programs, incorporating any revisions, to the Congress as a part of the Annual Budget required by the Budget and Accounting Act, 1921. It also authorizes amendments to the annual budget programs to be submitted from time to time. This section fixes the fiscal year commencing July 1, 1946, as the first for which budget programs are to be submitted.

Section 104 provides for the consideration by the Congress of the budget programs and the enactment of legislation, if necessary, making available such funds or other financial resources as the Congress may determine. Under this procedure, it is contemplated that the budget programs as transmitted by the President to the Congress would include, as in the case of estimates of appropriations, language suitable for enactment as the authorizing legislation. Such programs would be referred to the House Committee on Appropriations and, after hearings, be reported to the House, in the form of (1) simple

authorizing legislation, showing that the Congress had considered and approved the budget program but not setting a limitation on the corporate financial activities other than that provided by substantive law, or (2) legislation incorporating such specific limitations as necessary to enforce the will of Congress in the carrying out of the corporate financial activities or to conform such activities to the general financial program of the Government.

/To the extent that corporations, including the Tennessee Valley Authority, receive their funds in the form of annual appropriations, specific appropriating language would be necessary. Likewise, specific authorization would be necessary for administrative expenses where such authorization is otherwise required by law or where the Congress desired to set a limitation in this respect. However, in cases where no other law required a congressional authorization of expenditures, the corporation, if it had means of financing other than annual appropriations, could continue to operate in the absence of any action by Congress on its budget program. To insure that such legislation would not be used as a means of destroying any Government corporation or preventing it from carrying out and financing its authorized activities, this section includes a specific provision that it shall not be construed as preventing wholly owned Government corporations from carrying out and financing their activities as authorized by existing law. /

The section also provides specifically that no provision thereof shall be construed as affecting in any way the provisions of section 26 of the Tennessee Valley Authority Act, as amended. This language preserves intact the right of the Tennessee Valley Authority to utilize its receipts in carrying out certain operations and business activities as authorized under present law. The budget program of the Authority would be prepared and submitted on that basis and the Congress in passing on such program would take no action based on this bill which would interfere with such right or set a limitation on the use of such receipts for those purposes authorized under said section 26. The committee feels that the present arrangement established by law as to the use of the Authority's receipts is working satisfactorily and that if any occasion should arise hereafter for changing such arrangement, this should be done by an amendment to the substantive law.

As to the lending corporations, such as the Federal intermediate credit banks and production credit corporations, the provisions of this section would not change the fundamental authority of the corporations under existing law, in respect to their financing, their administrative management and control, or their lending operations. It would require an annual review of all their operations by the President and the Congress, with the right, if necessary in the public interest, to set limitations on expenditures.

Section 104 includes a further provision to make it clear that the existing authority of wholly owned Government corporations to make contracts or other commitments without regard to fiscal year limitations is not affected. This provision was included to meet the objection of certain corporations that the enactment of H. R. 2177 in its original form would place them completely on a fiscal year basis and interfere with their flexibility of operation and with the making of long-range contracts under authority of law. There is no intent

in this bill to deny to any Government corporation the right to enter into whatever contracts it is now authorized to enter into, and no thought that the Congress will deny funds for the execution of those authorized contracts in passing upon the Annual Budget program.

Section 105 provides for an audit of the financial transactions of wholly owned Government corporations by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit is to be conducted at the place or places where the accounts of the corporation are normally kept. The representatives of the General Accounting Office are to have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporations and necessary to facilitate the audit, and are to be afforded full facilities for verifying transactions with balances or securities held by depositaries, fiscal agents, and custodians. The audit is to begin with the first fiscal year commencing after the enactment of the bill.

This section also includes a provision authorizing the Comptroller General's rules and regulations to provide for retention at the offices of the corporations of accounts of accountable officers covering transactions required by existing law to be settled and adjusted in the General Accounting Office and for settlement and adjustment of such accounts upon the basis of examinations in the course of the audit of the financial transactions. This provision will permit the Comptroller General to coordinate his audit of the financial transactions of the Corporation under this bill with the audit which he is required to make in certain cases under other provisions of law for the purpose of settling the accounts of officers handling corporate funds. To guard against any possible construction of such provision as affecting the rights reserved to the Tennessee Valley Authority by the act of November 21, 1941 (55 Stat. 775), with respect to the making of contracts and expenditures, including expenditures determined by its Board of Directors to have been necessary to carry out the provisions of the Tennessee Valley Authority Act, the settlement of claims and litigation, and the prescribing of administrative accounts and business documents, the section includes a definite provision negating such construction.

Section 106 requires the Comptroller General to make a report of the audit for each fiscal year to the Congress not later than the following January 15. This section requires the report to set forth the scope of the audit and specifies the financial statements to be included therein. It also calls for the Comptroller General to include in his report such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the corporation, together with such recommendations as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as in his judgment should be accomplished. The report is also required to show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each such report is to be fur-

nished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

Section 107 permits the Director of the Bureau of the Budget, with the approval of the President, to make recommendations as to those activities carried on by a wholly owned corporation which could be handled in the same manner, insofar as concerns fiscal matters, as those of a regular agency or establishment of the Government. In the event that Congress concurred in such recommendations and legislation was enacted, such activities would thereafter be carried on in accordance with the requirements of the Budget and Accounting Act, 1921, and other provisions of law relating to fiscal matters. The existence of the corporate entity would not be affected by this section.

TITLE II—MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

Section 201 defines mixed-ownership corporations to include (1) the Central Bank for Cooperatives and the regional banks for cooperatives, (2) Federal land banks, (3) Federal home-loan banks, and (4) Federal Deposit Insurance Corporation.

Section 202 requires the financial transactions of mixed-ownership Government corporations for any period during which Government capital has been invested therein to be audited by the General Accounting Office in the same manner as applicable to wholly owned Government corporations under the provisions of section 105.

Section 203 requires the Comptroller General to make to the Congress a report of each such audit for each fiscal year, of the same type, at the same time, and in the same manner as the reports required to be made by him pursuant to section 106.

Section 204 directs the President to include in the annual budget any recommendations he may have as to the return of Government capital to the Treasury by mixed-ownership corporations.

TITLE III—GENERAL PROVISIONS

Section 301 restates and applies to the audit to be conducted under sections 105 and 202 of this bill certain provisions of the First Deficiency Appropriation Act, 1945, approved April 25, 1945, authorizing appropriations to the General Accounting Office for the expense of audits; requiring reimbursement by the corporations to the General Accounting Office for the cost of such audits and deposit of the sums reimbursed into the Treasury as miscellaneous receipts; authorizing the employment of not more than 10 persons without regard to the Classification Act of 1923, as amended, and of professional services of firms and organizations for temporary periods or special purposes without regard to section 3709 of the Revised Statutes; and prohibiting the use of funds of any Government corporation to pay the cost of any private audit of the financial records of the offices of such corporation, except the cost of such audits contracted for and undertaken prior to the date of said First Deficiency Appropriation Act, 1945.

This section also requires the Comptroller General in making the audits provided in sections 105 and 202 to utilize to the fullest extent deemed by him to be practicable reports of examinations of Government corporations made by a supervising administrative agency pursuant to law. It further provides that the audit in sections 105 and

202 shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the General Accounting Office for the purpose of a report to the Congress or to the President under any existing law.

Under this last provision such audit would supersede, as of the first fiscal year commencing after the enactment of this bill, the audit of all Government corporations now required to be made by the General Accounting Office under section 5 of Public Law 4, approved February 24, 1945. Such provision would also remove any doubt that the provisions of prior laws requiring an audit of the financial transactions of the Commodity Credit Corporation (sec. 7 of the act of January 31, 1935, as amended by Public Law 240, approved February 28, 1944), the Federal Crop Insurance Corporation (sec. 513 of the act of February 16, 1938, 52 Stat. 76, 7 U. S. C. 1513), and the Tennessee Valley Authority (sec. 9 (b) of the act of May 18, 1933, as amended, 16 U. S. C. 831h) for the purpose of a report to the Congress or the President, are superseded. Hence in the case of the two last-named corporations, the requirement that the audit report shall not be made until the corporation has had an opportunity to examine the exceptions and criticisms of the General Accounting Office will not apply.

However, other provisions of such prior laws reserving certain rights to the corporations named would not be repealed. Likewise, there would not be repealed provisions of section 1 of the act of March 8, 1938 (52 Stat. 107), as amended by Public Law 30, approved April 12, 1945, requiring an annual appraisal of the assets and liabilities of the Commodity Credit Corporation by the Secretary of the Treasury, or that part of section 9 (b) of the Tennessee Valley Authority Act as amended by the act of November 21, 1941, 55 Stat. 775, requiring the submission of accounts of accountable officers of the Tennessee Valley Authority to the General Accounting Office for audit and settlement under the Budget and Accounting Act, 1921.

Section 302 provides for the keeping of banking and checking accounts of all wholly owned or mixed-ownership Government corporations with the Treasurer of the United States, Federal Reserve banks, or in depositaries designated by the Secretary of the Treasury subject to the proviso that the Secretary of the Treasury is authorized to waive the requirements of this section under such conditions as he may determine. The Federal intermediate credit banks, production credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, and the Federal land banks are exempted from the provisions of this section, except that these corporations are required to report annually the names of their depositaries to the Secretary of the Treasury, and that the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress which he deems advisable upon receipt of any such annual report.

Section 303 provides that obligations of wholly owned or mixed-ownership Government corporations which are offered to the public shall be approved as to the form, denominations, maturities, interest rates, and other terms and conditions by the Secretary of the Treasury. This section prohibits the sale or purchase of any direct or guaranteed obligations of the United States by wholly owned or mixed-ownership Government corporations for their own account and in their own right and interest in excess of \$100,000 except by approval or waiver by the

Secretary of the Treasury. The Federal intermediate credit banks, production credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, and the Federal land banks are exempted from the provisions of this section, except that these corporations are required to consult with the Secretary of the Treasury prior to taking any action covered by the provisions of this section. In the event of disagreement resulting from such consultations, the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress stating the grounds for his disagreement. This section also provides that any mixed-ownership Government corporation from which Government capital has been entirely withdrawn shall not be subject to the provisions of section 302 or of this section during the period such corporation remains without Government capital.

The Secretary of the Treasury is authorized to exercise any of the functions vested in him by this section through officers or employees of any Federal agency designated by him, with the concurrence of the head of the agency concerned.

Subsection (a) of section 304 prohibits any corporation from being created, organized, or acquired hereafter by the Federal Government for the purpose of acting as an agency or instrumentality of the United States, except by an act of Congress or pursuant to an act of Congress specifically authorizing such action.

Subsection (b) of section 304 requires all wholly owned Government corporations created by or under the laws of any State, Territory, or possession of the United States, or any political subdivision thereof, or under the laws of the District of Columbia, to cease operating as agencies or instrumentalities of the United States by June 30, 1948, and prohibits the investment in or employment by any such corporation after that date, except for purposes of liquidation, of Federal funds. This subsection directs the proper corporate authority of every such corporation to institute dissolution or liquidation proceedings on or before June 30, 1948, but makes provision for reincorporation of any such corporation prior thereto by Act of Congress, setting out its purposes, term of existence, powers, privileges, and duties, including the power to take over the assets and assume the liabilities of its respective predecessor corporation.

APPENDIX

LIST OF ITEMS INCLUDED

- I. H. R. 2177, Seventy-ninth Congress.
- II. Treasury Department combined statement of assets, liabilities, and capital of Government corporations as of March 31, 1945 (in thousands of dollars).
- III. Reports and statements of the Director of the Bureau of the Budget, the Comptroller General of the United States, the Treasury Department, and Government corporations concerned.
- IV. Statement of differences between governmental and commercial types of audit.

I. H. R. 2177, SEVENTY-NINTH CONGRESS, FIRST SESSION

A BILL To provide for financial control of Government corporations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Government Corporation Control Act."

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT CORPORATIONS

SEC. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; Federal Intermediate Credit Banks; Production Credit Corporations; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; The RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; The Virgin Islands Company; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; United States Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Federal Deposit Insurance Corporation; Panama Railroad Company; Tennessee Valley Authority; Tennessee Valley Associated Cooperatives, Incorporated; and any other corporation which is wholly owned by the United States Government or by any agency thereof, including Government corporations.

SEC. 102. Each wholly owned Government corporation shall cause to be prepared annually a budget program covering all operations for the ensuing fiscal year with comparisons with the current fiscal year and the last completed fiscal year. Such budget programs shall be submitted to the Bureau of the Budget at the time prescribed for the submission of the estimates of appropriations by the regular Government departments and establishments and shall be transmitted by the President to the Congress in the annual Budget; except that the first budget programs shall be submitted as soon as practicable after the date of enactment of this Act.

SEC. 103. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which such budget programs shall be prepared and presented; but all such budget programs shall contain specific estimates of administrative expenses and estimates of necessary borrowing by the corporation concerned, together with the estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the reissuance of authorized capital or the restoration of capital impairments. Such budget programs shall be considered and shall be included in the annual Budget in the same manner, as nearly as practicable, as are the estimates and other information submitted in accordance with the

Budget and Accounting Act, 1921. Budget programs so submitted to the Congress shall be considered and approved, modified, or prohibited by it, in the same manner, as nearly as practicable, as appropriations are considered and made by Congress.

The Budget program may, whenever deemed necessary, include and set forth specifically, requests for authorization to cover possible emergency or contingent operations in the ensuing year, but operations thereunder shall be initiated only after approval by the President and shall be reported to the Congress from time to time but not later than the time for transmittal of the next annual Budget.

SEC. 104. No wholly owned Government corporation shall transact any business in any fiscal year except such business as is authorized by Act of Congress as a part of its budget program for such fiscal year, and no expenditures for administrative expenses in any fiscal year shall be made by any such corporation except in the amounts authorized and made available by Congress for such fiscal year. No funds so made available by the Congress for administrative expenses shall be obligated or expended unless and until an appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and funds so made available shall be subject to apportionment by the Bureau of the Budget, and claims and accounts thereunder to adjustment and settlement by the General Accounting Office under title III of the Budget and Accounting Act, 1921. This section shall take effect with respect to wholly owned Government corporations or groups of corporations at the earliest possible date following the enactment of this Act, as determined by the President, but no later than July 1, 1946.

SEC. 105. The financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act.

SEC. 106. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show how the budget program (herein provided) was executed and specifically any program, expenditure, or other financial transaction or undertaking, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the corporation concerned at the time submitted to the Congress.

SEC. 107. No additional Government capital or paid-in surplus shall be subscribed or paid in to any wholly owned Government corporation except pursuant to specific appropriation therefor hereafter made.

SEC. 108. Whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest that any wholly owned Government corporation be treated with respect to its appropriations, expenditures, receipts, accounting and other fiscal matters as if it were a Government agency other than a corporation, the Director shall include in connection with the budget program of such corporation in the Budget a recommendation to that effect. If the Congress approved such recommendation in connection with the budget program for any fiscal year, such corporation, with respect to subsequent fiscal years, shall be regarded as an establishment other

than a corporation for the purposes of the Budget and Accounting Act, 1921, and other provisions of law relating to appropriations, expenditures, receipts, accounts, and other fiscal matters, and shall not be subject to the provisions of this Act other than this section. The corporate entity shall not be affected by this section.

TITLE II—MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

SEC. 201. As used in this Act the term "mixed-ownership Government corporations" means (1) the Central Bank for Cooperatives and the regional banks for cooperatives, (2) Federal land banks, and (3) Federal home-loan banks. Any of such banks from which Government capital has been entirely withdrawn, and during the period such bank remains without Government capital, shall not be subject to the provisions of this title.

SEC. 202. The financial transactions of mixed-ownership Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions, and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The Audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act.

SEC. 203. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15, following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of, and the use of Government capital by, each such corporation, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. A copy of each report shall be furnished to the President and to the corporation concerned at the time submitted to the Congress.

SEC. 204. (a) No additional Government capital or paid-in surplus shall be subscribed or paid in to any mixed-ownership Government corporation except pursuant to specific appropriation therefor hereafter made.

(b) The President shall include in the annual Budget any recommendations he may wish to make as to the return of Government capital to the Treasury by any mixed-ownership corporation.

TITLE III—GENERAL PROVISIONS

SEC. 301. The expenses of auditing the financial transactions of wholly owned and mixed-ownership Government corporations as provided in sections 105 and 202 of this Act shall be borne out of appropriations to the General Accounting Office and appropriations in such sums as may be necessary are hereby authorized for the purpose.

SEC. 302. The banking or checking accounts of all wholly owned and mixed-ownership Government corporations shall be kept with the Treasurer of the United States, or with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a designated depositary or fiscal agent of the United States.

SEC. 303. (a) All bonds, notes, debentures, and other similar obligations which are hereafter issued by any wholly owned or mixed-ownership Government corporation shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, shall be issued in such manner and at such times and sold at such prices as may be approved by the Secretary of the Treasury.

(b) Hereafter, no direct obligation of the United States, and no obligation guaranteed by the United States as to principal or interest, or both, which are held or owned by any wholly owned or mixed-ownership Government corporation shall be sold, nor shall any such obligation be purchased by any such corporation without the approval of the Secretary of the Treasury.

(c) The Secretary of the Treasury is hereby authorized to exercise any of the functions vested in him by this section through any officer or employee of any agency whom he may designate for such purpose.

SEC. 304. (a) No corporation shall be created hereafter by any officer or agency of the Federal Government or by any Government corporation, except by direct congressional action or pursuant to Act of Congress specifically authorizing the creation of such corporation.

(b) Any such corporation hereafter created shall be subject to the provisions of this Act.

SEC. 305. All laws and parts of laws in conflict with this Act, to the extent of such conflict, are hereby repealed.

FINANCIAL CONDITION OF GOVERNMENT CORPORATIONS AS OF MARCH 31, 1945

The following table is a combined balance sheet of Government corporations as of March 31, 1945, and reflects total gross assets of 29.6 billion dollars, gross liabilities of 28.4 billion dollars, and net worth of 1.2 billion dollars.

Assets.—Of the 29.6 billion dollars in gross assets, 9.4 billions represent intercorporate assets, leaving net total assets of 20.2 billion dollars. Included in this 20.2 billion dollars, however, is 1 billion dollars representing interagency assets due from other Government agencies. Of the total gross assets, the major items, after taking out reserves for valuation and estimated losses, consist of: 13.3 billion dollars in loans receivable; 7.8 billion dollars in land, structures, and equipment; 2.9 billion dollars in commodities, supplies, and materials; 2.1 billion dollars in investments and 1.6 billion dollars in other receivables.

Liabilities.—Of the 28.4 billion dollars in gross liabilities, 8.9 billion dollars represent intercorporate liabilities leaving net total liabilities of 19.5 billion dollars. Included in this 19.5 billions, however, are 13.6 billions representing interagency liabilities due to the Treasury and other Government agencies. Of the total gross liabilities, 22.0 billion dollars were in bonds, notes, and debentures issued by the corporations, of which 11.6 billion dollars were held by the Treasury, 8.1 billion dollars were held by Government corporations, and 2.3 billion dollars were held by the public.

Net worth.—While the combined net worth of the corporations is reported as 1.2 billion dollars, this amount includes 451 million dollars belonging to private interests, leaving 750 million dollars as the net capital investment of the United States in the corporations as a group.

Assets, liabilities, and capital of Government corporations as of Mar. 31, 1945

[In thousands of dollars]

Account	Executive Office of the President									
	Office for Emergency Management									
	Coordinator of Inter-American Affairs					Foreign Economic Administration				
Total	Office of Inter-American Affairs	Institute of Inter-American Transportation	Inter-American Educational Foundation, Inc.	Inter-American Navigation Corporation	Prenradio, Inc.	Export-Import Bank of Washington	Cargoes, Inc. ¹	Petroleum Reserves Corporation		
Assets:										
Cash: ²										
On hand and in banks										
With U. S. Treasury	14,579	3,570	2,072	332	1,066	292				
Deposits with other Government corporations						1,618				19
Loans receivable (net)						59,850				
Accounts and notes receivable (net) ⁴						3,212,496				
Commodities, supplies, and materials				17	335	48				6
Investments (net)										
Land, structures, and equipment (net)	548	12	11	55		18				3
Deferred and undistributed charges										
Interagency proprietary interests										
Other assets ³						1,657				
Total assets	15,127	3,582	2,083	405	1,500	275,979				28
Liabilities:										
Accounts payable										
Trust and deposit liabilities	9,489	2,234	203	88	22	24				
Bonds, debentures, and notes payable						3,78,607				100
Deferred and undistributed credits						81				
Other liabilities ⁶										
Total liabilities	9,489	2,234	203	88	22	78,712				100

Capital:	2,456,548	100	500	175,000	50
Capital stock.....	51,149	7,502	1,833		425
Other paid-in capital.....	-45,511	-6,253	-355		-72
Earned surplus, or deficit (-).....					-474
Total capital.....	1,201,067	1,348	1,880	197,267	-72
Total liabilities and capital.....	29,596,360	3,582	2,083	275,979	28
Analysis:					
Assets:					
Interagency:					
Between Government corporations.....	9,403,382				
Involving other Government agencies.....	1,018,481		13	60,108	6
Other than interagency.....	19,174,497	3,582	391	215,871	22
Total assets (as above).....	29,596,360	3,582	405	275,979	28
Liabilities:					
Interagency:					
Between Government corporations.....	8,942,872				
Involving other Government agencies.....	13,608,068		86	7,008	100
Other than interagency.....	5,844,353	2,234	2	71,703	
Total liabilities (as above).....	28,395,294	2,234	88	78,712	100
Capital:					
United States interests:					
Interagency:					
Between Government corporations.....	490,510				
Net liability to other Government agencies ⁷	-12,589,587		-73	60,107	-100
Other than interagency.....	12,879,046	1,348	389	-7,008	6
Private interests.....	451,099			144,168	22
Total capital (as above).....	1,201,067	1,348	316	197,267	-72

1 The Corporation report as of Mar. 31, 1945, was submitted as final liquidating report.

² Excludes unexpended balances of appropriations.

⁷ Represents net amounts due to Government agencies and departments not included in this report. This figure includes \$11,562,719,624 of loans by U. S. Treasury to Gov-
ernments.

⁴ Includes advances to contractors and agents.

Source: Compiled from latest reports received by the Treasury from the corporations, these reports are revised by the Treasury Department to adjust for certain interagency items, and, therefore, may not agree exactly with statements issued by the respective agencies.

Includes accrued assets and acquired security or collateral.

⁶ Includes accrued liabilities and liability reserves.

⁷ Represents net amounts due to Government agencies and departments not included in this report. This figure includes \$11,562,719,624 of loans by U. S. Treasury to Government corporations.

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Assets, liabilities, and capital of Government corporations as of Mar. 31, 1945—Continued

[In thousands of dollars]

Account	Executive Office of the President— Continued		Department of Agriculture					
	Office for Emergency Management— Continued		Farm Credit Administration					
	Foreign Economic Administration— Continued	War Pro- duction Board	Banks for coopera- tives	Federal inter- mediate credit banks	Federal land banks	Production credit corpora- tions	Regional Agricultural Credit Cor- poration of Washing- ton, D. C.	Federal Farm Mortgage Corpora- tion
	U. S. Com- mercial Company	Smaller War Plants Corpora- tion						
Rubber Develop- ment Cor- poration	2, 026	9, 809 50 4	6, 953 11, 906	18, 224 66	24, 951 8, 320	706 6	(*) 14, 263	497 14, 695
Cash: 2								
On hand and in banks								
With U. S. Treasury								
Deposits with other Government corporations								
Loans receivable (net)	1, 701	39, 532	3 193, 848	317, 601	1, 094, 221		(*)	263, 429
Accounts and notes receivable (net) 4	37, 100	6, 129	6	318	3, 251	12	(*)	2, 326
Commodities, supplies, and materials	15, 878							
Investments (net)	3, 001							
Land, structures, and equipment (net)	10, 509	14, 234	67, 738	37, 510	195, 384	125, 049	276	
Deferred and undistributed charges	11, 358	1, 067	55	143	5, 651	49	89	206
Other assets 5	147	207	1, 368	1, 835	18, 069	413	54	6, 612
Total assets	81, 720	182, 157	232, 131	375, 693	1, 351, 007	123, 875	20, 662	290, 166
Liabilities:								
Accounts payable	38, 083	857	5	237	2, 180	4	2	925
Trust and deposit liabilities	147	13	63	175	22, 821	17	1, 801	5, 572
Bonds, debentures, and notes payable	48, 104			232, 710	833, 881			131, 757
Deferred and undistributed credits	2, 237		317	82	6, 425		14	681
Other liabilities 6	24, 425	78	2, 075	1, 293	11, 803	1	47	769
Total liabilities	112, 996	948	66, 640	234, 502	927, 115	23	1, 864	139, 704

Assets, liabilities, and capital of Government corporations as of Mar. 31, 1945—Continued

[In thousands of dollars]

Account	Department of Agriculture—Cont.			Department of Commerce	Department of the Interior	Department of Justice	War Department	Federal Deposit Insurance Corporation
	War Food Administration							
	Commodity Credit Corporation	Federal Crop Insurance Corporation	Federal Surplus Commodities Corporation					
Assets:								
Cash: ²								
On hand and in banks	2,568	11		650	2	375	78	976
With U. S. Treasury	12,813	1,584			163	11,844		16,131
Deposits with other Government corporations	1,494							
Loans receivable (net)	29,867			349				
Accounts and notes receivable (net) ³	501,223	1,290	34	668	80	1,908	164	10,016
Commodities, supplies, and materials	1,524,317		2,943	337	881	4,079		430
Investments (net)				6,650			114	65
Land, structures, and equipment (net)	7,151	102		15,075	274	3,946		818,041
Deferred and undistributed charges	9,755			112	8	275		(*)
Other assets ⁴	17,031			37			(*)	(*)
Total assets	2,106,218	2,987	5,795	23,869	1,409	22,426	358	15,979
Liabilities:								861,638
Accounts payable	247,722	581	3,093	596	89	761		5,394
Trust and deposit liabilities	51,302	14		87	(*)			1,000
Bonds, debentures, and notes payable	1,939,334		(*)		209			
Deferred and undistributed credits	380,007			10	1			22,436
Other liabilities ⁶	36,386		33	312	74	12	75	543,509
Total liabilities	2,854,750	595	3,126	1,005	374	773	75	572,338
Capital:								
Capital stock	100,000	40,000		12,000	(*)		100	289,300
Other paid-in capital	143,951	33,005		10,461	887	4,797		
Earned surplus, or deficit (-)	-992,482	-70,613	2,669	402	147	16,856	183	(7)
Total capital	-748,532	2,392	2,669	22,863	1,035	21,653	283	289,300
Total liabilities and capital	2,106,218	2,987	5,795	23,869	1,409	22,426	358	861,638

Analysis:									
Assets:									
Interagency:									
Between Government corporations.....	3,048			26	42		(*)		272
Involving other Government agencies.....	382,737	3		8	215	61	1,867	358	861,365
Other than interagency.....	1,720,433	2,984		5,701	23,612	1,348	20,559		
Total assets (as above).....	2,106,218	2,987		5,795	23,869	1,409	22,426	358	861,638
Liabilities:									
Interagency:									
Between Government corporations.....	12,078	35		2,943	40				
Involving other Government agencies.....	1,599,645	12		181	75	329	110	75	5,183
Other than interagency.....	1,243,027	548		2	891	45	663		567,155
Total liabilities (as above).....	2,854,750	595		3,126	1,005	374	773	75	572,338
Capital:									
United States interests:									
Interagency:									
Between Government corporations.....	-9,030	-35		-2,917	2		(*)		
Net liability to other Government agencies ¹	-1,216,908	-9		-173	140	-268	1,757	-75	-4,911
Other than interagency.....	477,406	2,436		5,759	22,721	1,303	19,896	358	154,910
Private interests.....									139,300
Total capital (as above).....	-748,532	2,392		2,669	22,863	\$ 1,035	21,653	283	289,300

¹ Includes Warrior River Terminal Co., Inc., a wholly owned subsidiary. Figures are as of Feb. 28, 1945, the latest available.

² Excludes unexpended balances of appropriations.

³ Includes advances to contractors and agents.

⁴ Includes accrued assets and acquired security or collateral.

⁵ Includes \$320,000 thousands, demand obligations arising out of drafts and invoices paid by commercial banks.

⁶ Includes accrued liabilities and liability reserves.

⁷ For the purposes of this report, the entire amount of earned surplus is shown as liability reserve to cover possible insurance losses.

⁸ Upon liquidation, the residue shall be expended to promote the welfare of the people of the Virgin Islands.

⁹ Represents net amounts due to Government agencies and departments not included in this report.

*Less than \$500.

Assets, liabilities, and capital of Government corporations as of Mar 31, 1945—Continued

[In thousands of dollars]

Account	Federal Loan Agency									
	Reconstruction Finance Corporation and certain affiliates									
	Reconstruction Finance Corporation ¹	Defense Plant Corporation	Defense Supplies Corporation	Disaster Loan Corporation	Federal National Mortgage Association	Metals Reserve Company	The RFC Mortgage Company	Rubber Reserve Company	War Damage Corporation	
Assets:										
Cash: ²										
On hand and in banks	813	3,479	216	1		4,119		4,296		
With U. S. Treasury	30,174									
Deposits with other Government corporations		5,714	11,513	17,307	1,118	4,419		245		227,583
Loans receivable (net)			76,486	1,621	50,065					
Accounts and notes receivable (net) ³	9,514,874	159,601	451,545	37	37	56,320		94,018		29
Commodities, supplies, and materials	11,470	45,999	251,540			504,040		168,447		
Investments (net)	351,401				569	1,099				
Land, structures, and equipment (net)	1,421	6,630,460	533	3		4,204				
Deferred and undistributed charges	5,630	60,807	179,439	1,284	2	38,609		4,311		
Interagency proprietary interests	360,510									
Other assets ⁴	214,828	27,099	21,738	87	228					560
Total assets	10,491,180	6,953,161	993,010	20,340	52,016	612,839	99,109	271,318		228,171
Liabilities:										
Accounts payable	187	13,769	231,908	20	35	232,031		70,961		32
Trust and deposit liabilities	436,014	1,714,706	156,521	35	1,104	11,950		22,125		
Bonds, debentures, and notes payable	9,066,966	5,019,836	1,519,747		36,833	409,009		231,065		
Deferred and undistributed credits	70,717	165,877	279,485	65	40	192,023		23,346		227,506
Other liabilities ⁵	6149,866	99,288	40,145		313	25,976		290,578		
Total liabilities	9,723,750	7,043,566	2,227,809	120	38,330	871,896	70,756	557,076		227,539
Capital:										
Capital stock		5,000	5,000							
Other paid-in capital	325,000			24,000	10,000	5,000	25,000	5,000		1,000
Earned surplus, or deficit (-)	442,430	7-93,405	10,390	-3,779	2,685	7-268,057		7-290,758		8-368
Total capital	767,430	-90,405	-1,234,799	20,221	13,685	-259,057	28,353	-283,758		632
Total liabilities and capital	10,491,180	6,553,161	993,010	20,340	52,016	612,839	99,109	271,318		228,171

Analysis: Assets:	Interagency:									
	Between Government corporations	8,538,162	16,843	74,471	17,307	1,118	8,047	1,473	46,750	228,142
	Involving other Government agencies	370,128	14,177	186,916	3,034	609	1,294	5,541	36,039	29
	Other than interagency	1,582,891	6,922,141	731,623		50,289	603,497	92,095	188,529	
	Total assets (as above)	10,491,180	6,953,161	993,010	20,340	52,016	612,839	99,109	271,318	228,171
Liabilities:	Interagency:									
	Between Government corporations	332,455	5,134,852	1,671,230	46	37,152	595,374	66,729	313,913	32
	Involving other Government agencies	9,178,933	1,708,868	169,632			276,037	4,027	293	
	Other than interagency	212,362	199,846	386,947	74	1,179			242,901	227,506
	Total liabilities (as above)	9,723,750	7,043,566	2,227,809	120	38,330	871,896	70,756	557,076	227,539
Capital:	United States interests:									
	Interagency:									
	Between Government corporations	8,205,707	-5,118,009	-1,596,759	17,261	-36,034	-587,327	-65,256	-267,163	228,110
	Net liability to other Government agencies ¹	-8,808,805	-1,634,091	17,284		609	810	5,541	35,776	
	Other than interagency	1,370,529	6,722,295	344,676	2,960	49,110	327,460	88,068	-54,372	-227,477
	Private interests									
	Total capital (as above)	757,430	-90,405	-1,234,799	20,221	13,685	-259,057	28,353	-285,758	632

¹ Includes Electric Home and Farm Authority, transferred for purposes of liquidation by Executive Order 9256.

² Excludes unexpended balances of appropriations.

³ Includes advances to contractors and agents.

⁴ Includes accrued assets and acquired security or collateral.

⁵ Includes accrued liabilities and liability reserves.

⁶ Includes \$125,000 thousands, valuation reserves not apportioned to applicable assets

⁷ Reflects adjustment by the Treasury Department of interest on borrowings from Reconstruction Finance Corporation, accrued at the contract rate, to the actual cost of interest on funds borrowed by the Reconstruction Finance Corporation to finance war affiliates.

⁸ Represents losses and expenses on prior policy programs only.

⁹ Represents net amounts due to Government agencies and departments not included in this report.

Assets, liabilities, and capital of Government corporations as of Mar. 31, 1945—Continued

[In thousands of dollars]

Account	National Housing Agency						Panama Railroad Company ¹	Tennessee Valley Associated Coopera- tives, Inc.	Tennessee Valley Authority
	Federal Home Loan Bank Administration				Federal Public Housing Authority and Affiliate				
	Federal home loan banks	Federal Savings and Loan Insurance Corpora- tion	Home Owners' Loan Cor- poration	United States Housing Corpora- tion	Federal Public Housing Authority	Defense Homes Corpora- tion			
Assets:									
Cash: ²									
On hand and in banks	16,940		703			179	7,991	28	1,001
With U. S. Treasury	7,806	1,303	44,701	389		965	91		
Deposits with other Government corporations						887			
Loans receivable (net)	61,059		1,013,024			901	2,019	235	2,858
Accounts and notes receivable (net) ³	548	1,568	158			25	6,777		6,440
Commodities, supplies, and materials						36	20,515	34	6,803
Investments (net)	233,377	152,683	441,307				30,697		714,277
Land, structures, and equipment (net)	(*)	26	2,522	(*)			19	2	120
Deferred and undistributed charges	133		236	(*)					
Interagency proprietary interests			100,000						
Other assets ⁴	613	2,524	10,540				161		14
Total assets	320,475	158,103	1,213,191	389		71,118	68,269	298	731,513
Liabilities:									
Accounts payable	1	11	863	(*)		116	1,752		4,816
Trust and deposit liabilities		7	24,387			52			922
Bonds, debentures, and notes payable	60,784		1,063,371			57,854			63,073
Deferred and undistributed credits	50,005	2,658	1,574			200	4,786		374
Other liabilities ⁵	137	55,427	5,050			1,087	607		4,501
Total liabilities	110,927	58,103	1,125,245	(*)		59,162	7,145		73,684

Capital:	190,526	100,000	200,000	66,500	1,000	10,000	7,000	1
Capital stock				-33,945	182,584			299
Other paid-in capital				-32,166	-30,679			-2
Earned surplus, or deficit (-)	19,022	(8)	-112,054			1,956	54,125	
Total capital	209,547	100,000	87,946	389	152,905	11,956	61,125	298
Total liabilities and capital	320,475	158,103	1,213,191	389	561,047	71,118	68,269	298
Analysis:								
Assets:								
Interagency:								
Between Government corporations		(*)	100,038			892		242
Involving other Government agencies	2		103		2,463		1,606	3,159
Other than interagency	320,472	158,103	1,113,050	389	558,584	70,226	66,563	728,112
Total assets (as above)	320,475	158,103	1,213,191	389	561,047	71,118	68,269	731,513
Liabilities:								
Interagency:								
Between Government corporations		4	1	(*)		58,202	1125	6,341
Involving other Government agencies	4	6	324,963		398,990		270	57,655
Other than interagency	110,923	58,094	800,252		9,152	960	6,749	9,689
Total liabilities (as above)	110,927	58,103	1,125,245	(*)	408,142	59,162	7,145	73,684
Capital:								
United States interests:								
Interagency:								
Between Government corporations		-4	107,037			-57,310	-125	-6,098
Net liability to other Government agencies ¹	-2	-6	-324,860		-396,527		1,336	-54,496
Other than interagency	124,512	100,009	312,768	389	549,432	69,266	59,914	718,423
Private interests	85,037							
Total capital (as above)	209,547	100,000	87,946	389	152,905	11,956	61,125	657,828

¹ Figures are as of December 31, 1944, the latest available.

² Excludes unexpended balances of appropriations.

³ Includes advances to contractors and agents.

⁴ Represents investment in shares of Federal and State savings and loan associations.

⁵ Includes accrued assets and acquired security or collateral.

⁶ Includes accrued liabilities and liability reserves.

⁷ Does not include contingent liability in the amount of \$226,408 thousands for securities issued by local housing authorities to private investors.

⁸ For the purposes of this report, the entire amount of earned surplus is shown as liability reserve to cover possible insurance losses.

⁹ Represents net amounts due to Government agencies and departments not included in this report.

* Less than \$500.

III. STATEMENTS AND REPORTS ON H. R. 2177

A STATEMENT BY THE DIRECTOR OF THE BUREAU OF THE BUDGET TO THE HOUSE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS, RELATING TO H. R. 2177, A BILL TO PROVIDE FOR FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS, MAY 29, 1945

I find this bill meritorious and I am in full agreement with its objectives. Under its provisions the transactions and operations of Government corporations would be subject to financial control by the President and the Congress. Considering the importance of corporations in the fiscal operations of the Federal Government, it is extremely important that the financial requirements of these units be definitely tied in to the general budgetary plan. Unless this is done the executive budget transmitted to the Congress falls far short of a complete fiscal program of the Government for the ensuing year.

During the past 10 years various steps have been taken both by the President and by the Congress to bring Government corporations under some measure of financial control but the present situation is at best a makeshift and an unsatisfactory arrangement. Certain corporations are subject to budgetary control in varying degree, both by the President and by the Congress; others are subject to control only by the President; and still others are subject to control only by the corporation's officials.

In connection with budgetary control heretofore exercised over Government corporations, both by the President and by the Congress, consideration has been given principally to their so-called administrative expenses. The bill under consideration, however, is not restricted to administrative expenses but contemplates the submission of a complete budget program covering all operations of the corporation.

In the past, control over the general programs of the corporations has been exercised by the Congress in connection with its periodic determination of the need for extending the existence of certain corporations or in connection with requests for increases in their borrowing authority. There are, however, some corporations with indefinite charters which, except for the transmittal of annual reports, do not report regularly to the Congress nor do they appear before congressional committees except when legislation affecting them is under consideration. The pending bill would change this arrangement since the corporations' programs would be considered annually by the President and the Congress.

While the review of administrative expenses has been utilized by the Congress as a means of controlling Government corporations, it obviously covers only a small part of their financial transactions. The requirement that all financial transactions be included in the budget program represents a fundamental change with respect to the budgetary control of Government corporations. Properly used, budget programs for the Government corporations will strengthen executive and congressional control, but improperly used they can seriously impair the corporations' usefulness.

The corporate device has been used by the Congress for the execution of programs which do not lend themselves readily to administration by the regular bureau form of Government organization. The corporate form is particularly adapted to those activities requiring considerable flexibility in operations.

Let me illustrate the reason why I feel that the corporate budget must include a greater degree of flexibility than a regular establishment of the Government. The Federal Saving and Loan Insurance Corporation was created for the purpose of insuring deposits in building and loan associations which could qualify for insurance under the laws enacted by the Congress. In the event that an insured association fails, each shareholder is entitled to the prompt payment of insurance up to a maximum of \$5,000. I assume that the Congress will wish the budgetary program of this Corporation to be so formulated that it will be able to carry out this responsibility. Likewise, the Commodity Credit Corporation has been charged with making certain mandatory commodity loans and again I assume that those farmers who can qualify for the loans under the law are entitled to

receive prompt assistance. I am sure we all recognize that the volume of activity of these two Corporations, like most corporations, will depend largely upon general economic conditions, and their statutory programs. On the other hand, in a regular establishment of Government, such as the agencies established for the purpose of carrying on a research program, a construction project, etc., the appropriation determines the size of the program for a given year.

I assume that the latitude given the Bureau of the Budget in the bill to prescribe the form and content of a budget program for Government corporations and to include provision for emergencies and contingencies is a recognition of the need for flexibility in the budget program.

The provisions of this bill would permit the budget program to set forth specifically a reserve for contingencies. The use of such reserves is subject to approval by the President and notification to the Congress of the reasons for undertaking these operations. In the case of some corporations there might well be no need for any dollar limitation on certain activities. However, a corporation cannot exceed its statutory debt limitation without approval of the Congress. At the present time, corporations request increases in the statutory debt limitation considerably in advance of the time that funds will actually be needed; this arrangement could be continued even though as a part of the annual budget program a further limitation may be placed on the amount which may be utilized.

It seems to me that the above indicates sufficient flexibility on the upward side in the budget programs of Government corporations. Personally, I should like to see a tighter method developed on the downward side, if budget controls over Government corporations are to be significant in the long run in achieving an integration of Government spending and taxation. Such tightening could be achieved by extensive use of budgetary reserves under which part of the authorization of Congress would not be made available by the President unless conditions warranted.

The bill if enacted should permit the formulation of a budget program which will adequately meet the requirements of individual corporations since they do not fall into the same pattern. This situation will have to be explored with each of the corporations. The development of an adequate budget program will be an evolutionary process.

I have said enough, I believe, to indicate that a budget program need not restrict a Government corporation in effectuating those programs which may be subject to unforeseeable economic or other developments. Indeed, I may have caused some to wonder if a budget program for a corporation can be effective in controlling its financial operations. I am sure it can be, and that it will be possible to develop a budget which will provide adequate safeguards from the standpoint of congressional control without impeding the operations of the corporations. The annual review will accord the President and the Congress an opportunity of ascertaining the manner in which a corporation is conducting its operations, the way it is organized, and the various problems with which it is being confronted, and I consider this to be highly desirable.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., March 24, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. MANASCO: Thank you for your letter of February 20, 1945, asking for my views on H. R. 2177, a bill to provide for financial control of Government corporations.

I find this bill meritorious and I am in full agreement with its objectives.

May I suggest that you carefully consider the desirability of striking out that part of section 104 relating to special accounting and auditing treatment for "administrative expenses" of Government corporations, namely, lines 7 to 15 on page 5 reading as follows: "No funds so made available by the Congress for administrative expenses shall be obligated or expended unless and until an appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and funds so made available shall be subject to apportionment by the Bureau of the Budget, and claims and accounts thereunder to adjustment and settlement by the General Accounting Office under title III of the Budget and Accounting Act, 1921."

In my opinion, this provision that "administrative expenses" of the Government corporations be subjected to the accounting and auditing requirements of regular appropriations would incur costs and efforts on the part of the Government which would not be justified; it would subject a small portion of corporate activities, i. e., "administrative expenses," to accounting and auditing procedures which are unnecessary and undesirable and quite different from procedures applicable to the rest of corporate transactions. I believe that the purpose of this provision, if eliminated as suggested, will be adequately served by the other audit and report requirements of sections 105 and 106.

The attached statement suggests a number of other minor changes in H. R. 2177 which, in the opinion of staff in the Bureau of the Budget, would aid clarification and workability.

Sincerely yours,

HAROLD D. SMITH, *Director.*

H. R. 2177, A BILL TO PROVIDE FOR FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

Page 3, section 102, line 22: Add "Amendments to the annual Budget program may be submitted from time to time."

Page 4, section 103, line 9: After the word "impairments" change period to comma and add "and such other classification of estimates as may be determined by the Director of the Bureau of the Budget." In line 3 just above, after the word "expenses", insert comma and strike out the word "and".

Page 7, section 106, line 9: After the word "President" insert ", to the Secretary of the Treasury,".

Page 7, section 108, line 19: After the word "corporation", insert ", or parts thereof,".

Page 8, section 108, line 1: After the word "corporation", insert ", or parts thereof,".

Page 10, section 203, line 4: After the word "President", insert ", to the Secretary of the Treasury,".

Page 10, section 302, line 21: Insert before "The" the phrase "Unless otherwise approved by the Secretary of the Treasury,".

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, April 3, 1945.

Hon. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives.*

MY DEAR MR. CHAIRMAN: Reference is made to your letter of February 20, 1945, acknowledged February 21, requesting a report on H. R. 2177, providing for financial control of Government corporations.

The provisions of H. R. 2177 are identical with those of S. 469, the so-called Byrd-Butler bill, and H. R. 2051. All three bills are outgrowths of the studies made by the Joint Committee on Reduction of Nonessential Federal Expenditures, as summarized in its report on Government corporations, issued last summer and published as Senate Document No. 227, Seventy-eighth Congress. The bills embody recommendations of that report designed to establish financial control over Government corporations by the Congress, the Bureau of the Budget, the Treasury Department, and the General Accounting Office. Representatives of all those agencies collaborated in the discussions which preceded the introduction of the bills, and I cannot too heartily recommend the early consideration and passage of such legislation since I feel that it represents the most forward-looking and outstanding measure in its field since the enactment of the Budget and Accounting Act in 1921.

When that act was enacted to provide a budget system and an independent audit for Government expenditures, Government corporations were a relatively new and unimportant part of the total governmental financial picture. With the exception of the Panama Railroad Company, which had been acquired in connection with the Panama Canal, and the Federal land banks, the Government corporations then in existence were World War I corporations, some of which were in process of liquidation. Since that time most of those corporations, which once

included the War Finance Corporation, the Emergency or Merchant Fleet Corporation, and the United States Grain Corporation, have been completely dissolved, leaving only the United States Housing Corporation and the United States Spruce Production Corporation, still in liquidation, as reminders of that group of war corporations.

However, during the interval of peacetime and the defense and war period in which we now find ourselves, numerous other Government corporations have emerged, until today there are about 100 separate corporations. Those organizations now form a large and influential segment of our governmental structure, employing scores of thousands of workers and controlling billions of dollars of Government money which they spend or invest in production, transportation and other utilities, loans, insurance, subsidies, and countless other operations. Some idea of the financial aspects of such activities can be gained from the information set forth in Senate Document No. 227, referred to above, showing that on June 30, 1943, these governmental corporate entities had total assets of over \$27,000,000,000 and total liabilities of over \$22,000,000,000.

As pointed out in that document, the majority of Government corporations were created under economic, defense, or other emergency conditions. Justice Brandeis in his celebrated dictum in the *Skinner and Eddy case* (275 U. S. 1), stated that an important if not the chief reason for employing these incorporated agencies was to enable them to use commercial methods and to conduct their operations with a freedom supposed to be inconsistent with accountability under established principles of audit and control over the financial transactions of the United States. That statement has many times been relied upon by those who have urged that the effectiveness of Government corporations depends upon their freedom from external control.

In the light of the wide discretion now vested by law in many Government agencies in regard to their financial transactions, and the successful contributions to the war program of many noncorporate Government departments and agencies—even aside from the Military and Naval Establishments—I believe that some of these pleadings have overemphasized the difficulty of obtaining flexibility, speed, and freedom of action outside the corporate form. However, I feel that it is for the Congress to decide whether a Government activity should be carried on in corporate form, and it is not my purpose to deny that a Government corporation needs flexibility in its business operations. In my dealings with such corporations, as well as in my annual reports to the Congress, I have recognized that the business operations of a Government corporation may make unsuitable the regular governmental type of control of its financial transactions. But this does not mean that those transactions cannot be reviewed in some manner by the Congress and the established fiscal agencies of the Government to insure that their financial programs are carried out in accordance with the policies of the Congress and the general program of the Government, and by sound and efficient methods.

During the past 10 years there has been increasing realization by the Congress and the executive branch that some financial control over Government corporations is needed. Steps have been taken to place the administrative expenses of certain corporations under annual scrutiny by the Bureau of the Budget and the Congress, and under audit by the General Accounting Office. The most recent and most important step toward financial control was taken in the enactment of the financial audit principles of the Byrd-Butler bill, S. 469, and the present bill, H. R. 2177, as section 5 of Public Law 4, approved February 24, 1945. That section provides that the financial transactions of all Government corporations shall be audited each fiscal year by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions, beginning with the current fiscal year, and that a report of each such audit shall be made to the Congress not later than the following January 15. Such audit provisions are only a part of the general program represented by the bill now pending before your committee.

The pending bill, which provides that it may be cited as the "Government Corporation Control Act," declares the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof, and such policy is implemented by the provisions of titles I, II, and III. For the purposes of the bill, Government corporations are divided into two classes, the first class, treated in title I, being designated as "wholly owned Government corporations," and the second, in title II, as "mixed-ownership Government corporations." The first class consists of corporations such as the Reconstruction Finance Corporation, in

which all the stock or other capital is owned or contributed by the Government. There are 42 corporations or groups of corporations in this category, including, because of the manner of operation and control of its activities, the Federal Deposit Insurance Corporation, in which a majority of the stock is held by the United States and the remainder by the Federal Reserve banks. The second class covers the banks for cooperatives, Federal land banks, and Federal home loan banks, all of which have been or still are capitalized in part with Government funds.

In the case of wholly owned Government corporations the bill requires the annual submission of a budget program, through the Bureau of the Budget and the President, to the Congress, containing specific estimates of administrative expenses, of necessary borrowings, and of the amount of Government capital to be returned from or invested in the corporation during the year, and including, when deemed necessary, requests for authorization for emergency operations to be undertaken under prescribed safeguards. Such budget programs are to be considered and disposed of by the Congress in a manner similar to that in which the appropriations of regular Government establishments are handled.

Under the provisions of the bill, no wholly owned Government corporation may transact any business not authorized by a congressionally approved budget program, and the administrative expenses of all such corporations are to be limited to the amounts authorized and made available by the Congress. Funds made available for administrative expenses are required to be set up on the books of the Government in appropriation accounts, subject to apportionment by the Bureau of the Budget, and to be accounted for to the General Accounting Office under title III of the Budget and Accounting Act of 1921.

The bill further provides for an annual audit of the financial transactions of wholly owned Government corporations by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. A report of each such audit for each fiscal year is to be made to the Congress not later than the following January 15. Such report is required to set forth the scope of the audit and to include, in addition to financial statements, such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the several corporations, together with such recommendations as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report is also required to show how the budget program, referred to above, was executed, and specifically every program, expenditure, or other financial transaction or undertaking which, in the opinion of the Comptroller General, has been carried on or made without authority of law. Copies of such reports are required to be furnished to the President and to the corporation concerned at the time submitted to the Congress.

Other provisions of title I would prohibit the subscription or paying in of any additional Government capital to any wholly owned Government corporation except pursuant to specific appropriations made after enactment of the bill, and would require that, when deemed by the Director of the Bureau of the Budget, with the approval of the President and the Congress, to be practicable and in the public interest, a wholly owned Government corporation be treated in the same manner as a regular Government agency with respect to fiscal matters.

Title II of the bill, relative to mixed-ownership Government corporations, comprises mainly the requirements of annual audit of their financial transactions and report thereof by the General Accounting Office, and the prohibition against the contribution of additional Government capital to such corporations except pursuant to specific appropriations subsequently made.

Title III includes general provisions regarding the expenses of auditing the financial transactions of Government corporations, other general fiscal provisions, and a prohibition against the future creation of corporations by any Government officer or agency except by or pursuant to congressional action.

The General Accounting Office is vitally interested in the bill as a whole and in the principle of financial control of Government corporations for which it stands. Its particular concern in the event of enactment of the bill would be with those provisions which require an accounting to the General Accounting Office for the administrative expenses and an audit and report of the financial transactions of Government corporations. Careful study has been given the entire bill, however, and the following suggestions growing out of such study and out of legislative

developments since the introduction of the bill are offered for the consideration of your committee.

The requirements in section 104 of the bill that no funds made available by the Congress for administrative expenses shall be obligated or expended unless and until an appropriation account shall have been established therefor and that funds so made available shall be subject to apportionment by the Bureau of the Budget and to accounting to the General Accounting Office for adjustment and settlement under title III of the Budget and Accounting Act, extend to all wholly owned Government corporations principles already applied to many in the annual appropriation acts. Since such provisions are in addition to those requiring an audit of the financial transactions by the General Accounting Office, they are not affected by the enactment of the audit provisions of Public Law 4, approved February 24, 1945.

On the other hand, the requirements of sections 105, 106, 202, and 203 for annual audits of the financial transactions of wholly owned and mixed ownership Government corporations by the General Accounting Office and reports thereof to the Congress, have in effect been combined in section 5 of Public Law 4. However, because of the desirability of enacting the pending bill, H. R. 2177, as a complete scheme setting a general pattern for financial control of Government corporations, and the need for conforming the audit provisions of Public Law 4 to the remaining provisions of the pending bill in the event of enactment of that bill, I would favor the retention of the audit provisions in those four sections of the pending bill, to supersede those of Public Law 4 and any other provisions of law requiring the audit of financial transactions of Government corporations for the purpose of a report to the Congress or the President.

In this connection, in the case of certain wholly owned Government corporations whose funds for payment of nonadministrative expenses are kept on the books of the Government, it would be most desirable if the accounting now required by other provisions of law (31 U. S. C. 72, 78, 496, and 498) to be rendered to the General Accounting Office by accountable officers covering such nonadministrative transactions could be coordinated with the audit of the financial transactions required by section 105 of H. R. 2177. For example, the provisions of law codified in 31 U. S. C. 496 require accountable officers to render their accounts monthly, with the vouchers necessary to the correct and prompt settlement thereof to the bureau to which they pertain, for transmittal to the General Accounting Office for settlement after administrative examination. It is believed that a re-examination of the present requirements in connection with any accounts required by law to be settled and adjusted by the General Accounting Office covering non-administrative expenses of Government corporations, under authority such as here suggested, might well result in a reduction of the flow of accounting documents which are presently overloading the facilities of the General Accounting Office, without endangering the interest of the United States.

In view of the foregoing, I recommend the amendment of section 105 of H. R. 2177 by changing the period in line 1, page 6, to a colon, and adding the following proviso: "*Provided*, That notwithstanding any other provisions of law, such rules and regulations may provide for the manner, nature, and extent of the accounting to be rendered by accountable officers covering any nonadministrative transactions of such corporations, accounts for which are required by existing law to be settled and adjusted in the General Accounting Office, and for the settlement and adjustment of such accounts in whole or in part upon the basis of examinations in the course of the audit herein provided."

My recommendation concerning the superseding of existing audit provisions will be given below in connection with the discussion of title III of the bill.

With respect to title II, to clarify the meaning and make for certainty in administration of the provisions of section 201, I recommend that the second sentence of said section be changed to read as follows: "Any such bank shall not be subject to the provisions of this title, except those of section 204 (a), as to any fiscal year during which the capital of such bank shall have included no funds of the United States or of another Government corporation capitalized in whole or part by the United States."

Since the provisions of sections 105 and 202 relative to auditing the financial transactions of Government corporations do not appear to contemplate in every case a detailed audit of each and every transaction, I feel that it would be desirable to insert in section 106, dealing with the reports of such audits, on line 7 of page 7, after the word "undertaking" the following phrase: "Observed in the course of the audit." Further, to conform the provisions of section 203 to those of section 106 and of section 5 of Public Law 4, I suggest that the following be added after "accomplished" in line 3 on page 10 of H. R. 2177:

"The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law."

With respect to title III of H. R. 2177, the principles of section 301 relating to the expenses of the audit of the financial transactions differ somewhat from those of section 5 of Public Law 4, which authorizes agreements between the General Accounting Office and the corporations for payment of the expenses of such audits from funds of the corporations, and from those of the pending first deficiency appropriation bill, 1945, H. R. 2374, which, as amended by the Senate, provides that the expenses of the audits required by said section 5 of Public Law 4 must be reimbursed to the General Accounting Office by the corporations and that the sums so reimbursed must be deposited into the Treasury as miscellaneous receipts. Further, the pending deficiency bill includes other provisions permitting the employment of a limited number of persons without regard to the Classification Act of 1923, as amended, and the contracting for temporary or special professional services of firms and organizations without regard to section 3709 of the Revised Statutes. Such provisions are indispensable to the effective conduct of the audit of the financial transactions of Government corporations under present conditions.

In order to insure continuity of operations in connection with the financial transaction audit required by H. R. 2177, and to leave no doubt that such audit supersedes all similar audits, I recommend that section 301 of H. R. 2177 be amended to read as follows:

"SEC. 301 (a) The expenses of auditing the financial transactions of wholly owned and mixed ownership Government corporations as provided in sections 105 and 202 of this Act shall be borne out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized: *Provided*, That each such corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts.

"(b) For the purpose of conducting such audit the Comptroller General is authorized in his discretion to employ not more than ten persons without regard to the Classification Act of 1923, as amended, only one of whom may be compensated at a rate of as much as but not more than \$10,000 per annum, and to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of firms and organizations for temporary periods or for special purposes.

"(c) The audit provided in sections 105 and 202 of this Act shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the General Accounting Office for the purpose of a report to the Congress or to the President under any existing law."

Finally, to effectuate the purpose of subsection 304 (a), I suggest that after the word "created" in line 22, page 11 of H. R. 2177, there be inserted the following: "organized, or acquired."

In closing, I wish to emphasize again that the General Accounting Office is strongly in favor of the enactment of this legislation. I should be glad to appear before your committee in support of the bill and to make any further explanations which you may desire relative to those portions of the bill which concern the General Accounting Office directly, or to the amendments suggested herein.

Sincerely yours,

(Signed) LINDSAY C. WARREN,
Comptroller General of the United States.

TREASURY DEPARTMENT,
Washington 25, May 23, 1945.

Hon. CARTER MANASCO,
Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington 3, D. C.

MY DEAR MR. CHAIRMAN: You have requested the views of this Department regarding H. R. 2177, a bill to provide for financial control of Government corporations.

The provisions of the bill for exercising financial control over the corporations involve matters with which the Bureau of the Budget and the General Accounting

Office are primarily concerned. The Treasury Department is in agreement, however, with the general purposes of the bill as it embodies features of certain of the recommendations which were made by the Secretary of the Treasury several years ago in the report submitted in compliance with Senate Resolution 150 (76th Cong., 1st sess.) which was printed as Senate Document 172 (76th Congress, 3d sess.).

The Treasury Department agrees that the provisions of the bill which would require approval of the Secretary of the Treasury with respect to the issuance of obligations by the corporations and the sale or purchase by the corporations of direct obligations of the United States and obligations guaranteed by the United States, are desirable. These provisions would, in effect, restate existing requirements of law with respect to approval of guaranteed obligations and would formalize arrangements under which corporations have cooperated with the Treasury in the issue of other corporate obligations. It has thus been possible to unify the financial policy of the Government.

The requirement that banking or checking accounts of the corporations be kept with the Treasurer of the United States, or, with the approval of the Secretary, with a Federal Reserve bank, or with a designated depository or fiscal agent of the United States, is believed also to be consistent with good fiscal policy and should in no way interfere with the efficient transaction of corporate business.

While section 305 of the bill provides that all laws and parts of laws in conflict therewith shall be repealed, your committee may wish to consider the desirability of clarifying this section since there are existing laws requiring appraisals or audits of certain Government corporations by agencies other than the General Accounting Office. For instance under the act of March 8, 1938, as amended, the Secretary of the Treasury is specifically directed to make an annual appraisal of assets and liabilities of the Commodity Credit Corporation as of June 30 of each year for the purpose of determining capital impairment or surplus. Other instances in which there might be uncertainty as to whether existing provisions of law would be in conflict with the bill, if enacted, arise in connection with present requirements that the Farm Credit Administration make periodic examinations of Federal land banks and other constituent agencies of the farm-credit system, and that the Federal Home Loan Bank Administration audit periodically the Federal home-loan banks.

▶ The Department will be pleased to furnish any additional information or to render any assistance which your committee may desire in connection with its consideration of the pending legislation.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

(Signed) D. W. BELL,
Acting Secretary of the Treasury.

DEPARTMENT OF AGRICULTURE,
Washington, May 28, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

DEAR MR. MANASCO: Reference is made to your letters of February 20 requesting comments on H. R. 2177, a bill to provide for financial control of Government corporations, as it relates to the corporations with which the Department of Agriculture is concerned.

All of the corporations with which the Department is concerned except those within the War Food Administration are under the supervision of the Farm Credit Administration. We are in agreement with the general objectives of the bill to provide adequate controls over the operations of Government corporations. We are convinced, however, that the Congress in the various farm-credit acts has already provided for such controls over the corporations supervised by the Farm Credit Administration and that the inclusion of these corporations under the provisions of H. R. 2177 is unnecessary and would interfere seriously, through curtailment of essential flexibility of operations, in carrying out the objectives for which these institutions were created by the Congress. Each of these corporations was chartered by or pursuant to specific Federal law, for specific purposes, and their supervision and operations are prescribed by law. A comprehensive report of the financial condition and operations of the entire farm-credit system is

submitted to the Congress annually. Audits are made by farm-credit examiners who are Federal officials responsible directly to the Governor of the Farm Credit Administration and the audits are entirely independent of any control by the corporations. An investigation of the stewardship of the Farm Credit Administration in the discharge of the supervisory responsibility placed upon it by the Congress will reveal that the Farm Credit Administration is already maintaining adequate budgetary controls; careful, thorough, and independent audits; and all other procedures necessary to protect the interest of the Government.

It is with these ideas in mind that attention is directed to the serious effect that the provisions of this bill will have on the operations of the following banks and corporations:

The 12 Federal land banks which were incorporated under the Federal Farm Loan Act, passed in 1916. They make long-term mortgage loans on farm real estate through the national farm-loan associations, which are cooperatives owned by and composed of borrowers from the banks. All of these Federal land banks are at least partly owned by the associations, and in three of the banks the Government has no capital or paid-in surplus at all. By July 1946, according to the present program, all of the banks except one will have repaid all Government capital and paid-in surplus. They obtain funds with which to make loans through the sale to the investing public of bonds which are not guaranteed by the United States Government.

2. The Federal Farm Mortgage Corporation, a wholly owned Government corporation created by an act of Congress in 1934, which makes long-term mortgage loans on farm real estate, largely supplementing credit extended by the Federal land banks. In order to avoid duplication of services, these loans are made through the use of the facilities of the Federal land-bank system. The Corporation also serves as an additional source of funds for the Federal land banks and is authorized to issue bonds which are guaranteed by the United States.

3. The 12 regional banks for cooperatives and the Central Bank for Cooperatives, which were organized under an act of Congress in 1933. They extend credit to farmers' cooperative associations and are partly owned by the associations. Most of the capital of these institutions, however, has been subscribed by the Federal Government. Other funds are obtained for lending purposes from the intermediate credit banks and commercial banks.

4. The 12 Federal intermediate credit banks, which are wholly owned Government corporations organized under an act of Congress in 1923, and are chiefly banks of discount for short- and intermediate-term agricultural paper. They obtain funds for lending purposes through the sale to the investing public of consolidated debentures which are not guaranteed by the United States.

5. The 12 production credit corporations, which are wholly owned Government corporations organized under an act of Congress in 1933, and which capitalize in part and supervise the 514 production-credit associations, which supply short-term credit to farmers. The associations are composed of farmer-borrowers and the capital is partly owned by the members. The associations obtain practically all of their lending funds from intermediate credit banks.

6. The Regional Agricultural Credit Corporation of Washington, which is a wholly owned Government corporation. It makes loans of an emergency character to farmers and stockmen in areas which meet the conditions prescribed in annual appropriation acts.

Congress created the farm credit system to assist in promoting a sound, constructive, and coordinated Nation-wide service of cooperative credit in response to the needs of agriculture, and the Farm Credit Administration was created as a supervisory agency to safeguard the Government's investment in the banks and corporations of the system, as well as to protect the interest of investors in their securities. In general, it is the function of the Farm Credit Administration, under the specific authorities granted by Congress and the general supervision of the Secretary of Agriculture, to provide expert specialized supervision of all institutions of the farm-credit system, including at least annual audits and examinations by farm-credit examiners. It is evident in the legislation creating and providing for financial support of the banks and corporations that Congress intended to assist agriculture in establishing its own permanent cooperative credit system to obtain its funds mostly from private sources, and to be operated under Federal charter and broad general supervision, but with the highest degree of local authority and responsibility consistent with the public interest. The corporate form of organization was selected because it was recognized as the most

effective instrument for handling business transactions in a highly specialized field and afforded the best legal means by which local authority and responsibility could be exercised in a cooperative credit system.

It is significant to note that, with three exceptions, all farm-credit corporations affected by this bill operate under local boards of directors, and the majority of the members of each such board are elected or nominated by credit or other cooperative associations, controlled by farmer members, who have a direct financial interest in their local associations, and through them a financial interest in the farm-credit system.

The budget provisions of the bill apply only to wholly owned Government corporations and would have their most serious impact on the Federal intermediate credit banks, the production credit corporations, and the Federal Farm Mortgage Corporation, in application to their operations, as distinguished from administrative expenses. To subject the operations of these institutions to restrictions and limitations, both as to scope and as to the amount of money that may be employed, would be decidedly at variance with the purposes to be achieved as indicated by the express provisions of the laws creating these institutions and defining the credit needs to be served and their lending authority. The other institutions, which rely on these wholly owned Government corporations as sources of funds, also will be affected in their operations.

The system is not designed to carry out programs the scope of which can be determined in advance, neither are the credit operations in any way related to fiscal years. With respect to the budgeting of lending and borrowing activities, experience has clearly demonstrated that changes in the volume of crop and livestock production and marketing, fluctuation in market prices, and other factors cause wide variations in the volume of credit required and the time and rate of repayment. Emergencies created by drought, flood, disease, pests affecting animals or crops, and other uncontrollable hazards develop without warning and require immediate and adequate credit facilities. In addition, the initiative in offering paper to the banks for discount rests with the primary lenders and is governed largely by the varying needs of farmers and stockmen whom they serve. Accordingly, to place a specific dollar limitation on the services which the corporations can render in a particular fiscal year does not appear to be consistent with their functions and might seriously impede their services to farmers. Moreover, unless a farmer can rely upon the ability of the Federal intermediate credit banks to continue disbursements beyond June 30, he cannot, with any degree of confidence, undertake farming operations commencing in one fiscal year and ending in another. When borrowings by these banks necessitate issuance of consolidated debentures with maturities beyond the current fiscal year the question will arise in the minds of investors in such debentures as to what assurance they have of the ability of the banks to service the collateral that secures such debentures in the event that Congress should fail to provide authority for the banks to do so.

The wholly owned Government corporations now prepare and submit annual estimates of administrative expenditures to the Bureau of the Budget and are limited to the total approved for each group type, but it must be remembered that such expenses necessarily are affected by the volume of business and the extent of the corporations' services. Because of these contingencies, it is essential that the district units continue to have a maximum degree of flexibility in matters pertaining to administrative expenses, which they can now obtain with little delay, by justifying to the Bureau of the Budget. Similar quick clearance would not be possible under established procedures for obtaining congressional action and approval.

Both as to wholly owned Government corporations and mixed-ownership corporations the bill would provide that no additional Government capital or paid-in surplus may be subscribed except pursuant to a specific appropriation hereafter made. There are several revolving funds now available for subscriptions of this character. Their availability to the corporations is already subject to approval of the Farm Credit Administration, and in some instances the Secretary of the Treasury, and the bill would add the further requirement of specific congressional action in each instance before any further subscription could be made. The revolving funds have been created and maintained with specific relation to the needs of these institutions and to a substantial extent their availability is material in regard to the ability of the institutions to sell to the investing public at the most-favorable-rates securities which are not guaranteed by the Government. This added requirement would, in effect, destroy the revolving character of these funds.

The provisions of section 104 dealing with the adjustment and settlement of claims and accounts relating to administrative expenses by the General Accounting Office appear incompatible with the operations of a corporate form of organization and inconsistent with the duties and responsibilities vested by law in the boards of directors, especially the district boards. The net result would be to remove from these boards the authority for effective administration, but to hold them responsible for the operations of the corporation.

The financial transactions of the wholly owned Government corporations are now subject to audit by the General Accounting Office, pursuant to Public Law No. 4, Seventy-ninth Congress. In support of the view that audit by the General Accounting Office of Government corporations under Public Law No. 4 is limited to wholly Government-owned corporations, attention is invited to the debate in the House when this bill was under discussion (Congressional Record, February 15, 1945, p. 1180). With regard to sections 105 and 201 of H. R. 2177, which provide that the financial transactions of Government corporations shall be audited by the General Accounting Office, all corporations under the supervision of the Farm Credit Administration are now audited by Farm Credit examiners as required by law. These audits furnish information which is vital to the supervisory responsibility of the Farm Credit Administration. These examiners are public officials and section 952, title 12, United States Code, provides that "Farm Credit examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national bank examiners under chapters 2 and 3 of this title and other provisions of law."

In its supervision and examination of the Farm Credit district institutions, the Farm Credit Administration is in a position similar to that of the Comptroller of the Currency in his relation to national banks. The Comptroller has general supervision over all national banks in operation, the organization or consolidation of national banks, conversion of State banks into national, supervision over other banks and trust companies and certain building and loan associations, etc., and is responsible for the preparation of an annual report to Congress on the status of national banks. As provided by law the office of the Comptroller of the Currency maintains a staff of examiners who make regular examinations of all national banks, reporting on their condition and compliance with the provisions of law. It is apparent, therefore, that the functions of the Farm Credit Administration and its examiners are similar to those of the Comptroller of the Currency and national-bank examiners in connection with their general supervisory and examination activities. All examinations are independent audits, insofar as control of the individual bank or corporation is concerned, and the examiners are responsible directly to the Governor of the Farm Credit Administration. Attention is directed to the duplication of expense which would be involved in making two separate and distinct audits. If it is considered advisable, provision might be made for the General Accounting Office to review the scope of examinations by the Farm Credit examiners and to make recommendations in regard to the extension of their scope.

The requirement of the bill that the Treasury Department approve the depositaries of all Government corporations, including mixed-ownership corporations (apparently even those in which the Government has no capital investment at the time), would seriously disturb the normal functioning of the Farm Credit district institutions. The directors of these institutions select local depositaries according to convenience and to some extent according to the business benefits in connection with short-term borrowings at more favorable interest rates, which may be expected to result by reason of the use of particular depositaries. The selection of depositaries is, of course, subject to the general supervisory authority of the Farm Credit Administration. This provision of the bill would remove from the district Farm Credit boards and the Farm Credit Administration all authority with respect to the establishment and maintenance of banking and checking accounts which they may deem necessary or appropriate in the operations of the institutions for which they are primarily responsible.

Section 303 (a) would make all bonds, notes, debentures, and similar obligations issued by wholly owned and mixed ownership Government corporations subject to complete control by the Secretary of the Treasury. The Federal Farm Loan Act places authority and responsibility for the issuance of bonds and debentures upon the banks, including their boards of directors; upon the bond committee and in the case of the Federal land banks and the debenture committee in the case of the Federal intermediate credit banks; and upon the Farm Credit Administration, particularly the Governor, the Land Bank Commissioner, and the Intermediate Credit Commissioner. The borrowing of money and the issuance of

bonds and debentures are determined in the first instance by the district institutions, which are in close daily touch with current developments and the demands for credit in their own districts. The Farm Credit Administration confers and will continue to confer with the Treasury Department concerning each contemplated issue of bonds and debentures, but deems it inadvisable that the statutes be amended to add the requirement of Treasury approval of all issues. The limitations and restrictions of this subsection would also apply to "notes," which apparently would include obligations issued by the banks of the system in connection with temporary borrowings from commercial banks. The district units find it both advantageous and necessary to borrow money locally to meet unforeseen needs for loan funds. Unexpected demands arise frequently and must be met on short notice and such transactions are now financed economically through short-term borrowings and obviate the necessity for carrying excessive cash balances in order to provide funds for contingencies which cannot be anticipated. Obviously, if all such borrowings must be cleared through the Secretary of the Treasury, inevitable delays and added expense will occur.

Section 303 (b) would prohibit, except with the approval of the Secretary of the Treasury, the purchase of any obligation of the United States by any wholly owned or mixed ownership Government corporation or the sale of any such obligation owned or held by such corporation. The ownership by the banks and corporations of obligations of the United States represents an important element of financial strength and affords a degree of stability and diversification of assets which could be achieved in no other way. For example, the Federal land banks are required by statute to maintain at least 5 percent of their capital paid in by national farm loan associations in United States obligations, and the production credit corporations' investments in Government obligations constitute the principal source of income to meet operating expenses. The purchase and sale of all securities in the money markets by the district units now require prior approval of the Farm Credit Administration, which consults and cooperates with the Treasury Department. This section, as worded, might be applied to sales for a pledgor of obligations which are held as collateral security for outstanding loans and discounts. In the ordinary course of business, transactions in these securities are the result of requests by the owners of such securities, and it would appear that neither the Secretary of the Treasury nor the Farm Credit Administration should assume the risk of loss to third parties which might result from delays in handling such transactions affecting collateral security owned and pledged by borrowers.

Section 304 (a) provides that no corporation shall be created hereafter by any officer or agency of the Federal Government or by any Government corporation, except by direct congressional action or pursuant to act of Congress specifically authorizing the creation of such corporation. The Federal Farm Loan Act provides that corporations to be known as national farm loan associations may be organized by 10 or more persons desiring to borrow from a Federal land bank and specifically authorizes the Farm Credit Administration to grant charters to such associations. Under somewhat similar circumstances, charters are granted to production credit associations. It is assumed that it is not intended to repeal these laws, but the language of the bill might be so construed.

Attention is directed to the fact that, based on their present status, 51 corporations under the supervision of the Farm Credit Administration would apparently come within the provisions of title III of this bill, 26 would be subject to title I, and 22 would be subject to title II. Three of the mixed-ownership corporations would not come within title II because they have repaid all Government capital and it is expected that 8 others will be placed in the latter category by June 30, 1946. These corporations together form a well integrated and coordinated system of cooperative agricultural credit. An excellent example is the benefit which has been obtained through the issuance of consolidated bonds and debentures by the land banks and intermediate credit banks (none of which bonds and debentures are guaranteed by the United States as to either principal or interest), each participating bank being jointly and severally liable. It is inevitable that the imposition of additional restrictions, the division of authority and control, and the necessity for providing supervision and regulations for corporations operating under different titles of the bill would not only result in duplication of effort, but would increase administrative costs without commensurate benefit.

While agricultural and other credit is now readily available from many sources, it must be expected that with changing conditions there will continue to be the need for a source which is available in bad times as well as in good. There are several factors which could cause credit to flow away from agriculture: (1) a brisk

reconstruction boom in industry, (2) a decline in the volume of agricultural products for which there is a market, (3) a sharp decline in the prices for agricultural commodities, or (4) a recession in both agricultural and industrial production and income. Agriculture has as important and as a difficult job in reconversion as has industry. There is not the backlog of demand for agricultural products after the war and rehabilitation period is over that there is for industrial products. The agricultural plant is already expanded to meet war conditions and the situation is unlike that in industry, where there is a great demand for almost all the products of industry we can mention. The present land boom will certainly not make the credit problem any easier. In such circumstances, the flexible credit facilities now afforded by the Farm Credit institutions on the ground, as provided in existing Farm Credit legislation, should be retained in order to meet promptly the fluctuating legitimate credit needs of farmers, and to minimize the economic disturbances which frequently occur in the field of agriculture.

The proposed legislation involves far more than budget controls, audits by the General Accounting Office, and various other regulations. This bill will impose additional procedures, limitations, and audits and would take away from the local institutions certain controls and place them in three additional Government offices, to all of which the local institutions will then be subject. We believe the establishment of these multiple controls in three additional Government agencies will discourage farmers from taking a proprietary interest in their cooperative credit enterprises.

The boards of directors and officials of the 12 Farm Credit districts have thoroughly reviewed the provisions of this bill and are in agreement with the statements contained in this letter as to the effect of its enactment on the operations of the corporations with which they are concerned.

For the reasons set forth above, it is recommended that all of the Farm Credit corporations be excluded from the provisions of H. R. 2177.

We appreciate the opportunity of presenting our views on this bill. Representatives of the Farm Credit Administration and of the corporations which it supervises would be glad to appear before the committee, and we shall be glad to furnish any additional information which you may require.

The Bureau of the Budget advises that "while there would be no objection to the submission of such report to the committee as you may deem appropriate, the enactment of legislation which would accomplish the objectives of the bill, H. R. 2177, including its budgetary objectives, would be in accord with the program of the President."

Sincerely yours,

(Signed) GROVER B. HILL,
Acting Secretary.

WAR FOOD ADMINISTRATION,
Washington 25, May 25, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives.*

DEAR MR. MANASCO: Reference is made to your letter of February 20 requesting comments on H. R. 2177, a bill to provide for financial control of Government corporations as it relates to the Commodity Credit Corporation, the Federal Crop Insurance Corporation, the Federal Surplus Commodities Corporation, and the Farmers' Home Corporation.

In my opinion, the objectives of this bill are commendable. I am in favor of adequate control over the operations of Government corporations to insure that their activities will be in complete accord with the mandates and policies of the Congress and will not conflict with or duplicate the activities of other Government agencies or corporations. On the other hand, I do not believe that legislation providing for financial control of these corporations should be of such a nature that it would seriously interrupt and restrict the objectives for which the corporations were created. The objectives and operations of the Commodity Credit Corporation and the Federal Crop Insurance Corporation would be vitally affected by certain budget provisions of this bill for the reasons set forth in the following paragraphs.

There is no question in regard to the application of the budget provisions to administrative expenses as this would require no change in present procedures. However, the provisions of the bill which require each wholly owned Government corporation to prepare annually a budget program covering all operations for

the ensuing fiscal year and which prohibit the transaction of any business in any fiscal year, except such business as is authorized by act of Congress as a part of its budget program, would seriously interfere with the basic public needs served by these corporations and with their effective administration and operations.

The Commodity Credit Corporation is engaged primarily in carrying out price support programs through loans which are mandatory by law at a specified rate on the six basic commodities and by lending and purchasing operations for other commodities in conformity with congressional policy. The very nature of these programs is such that the extent to which they are utilized is determined by various factors entirely beyond the control of this Corporation. Such factors include size of the various crops involved, market conditions, prices, the quality of the various crops, weather conditions, and the war and postwar developments.

The Congress has and now exercises several means of examining and reviewing the activities and plans of the Commodity Credit Corporation. The Corporation's activities and plans are reviewed annually when consideration is given by the Congress to the annual appropriation for administrative expenses of the Corporation, as is already required by law (15 U. S. C. 712a). Moreover, the Corporation appears at least every 2 years before the Congress in connection with the extension of its life as an agency of the United States. Further, Congress reviews and examines the Corporation's activities and plans when the Corporation's borrowing power is determined and when appropriations are requested, pursuant to the act of March 8, 1938, as amended, to restore any capital impairment. Under the present law (Public Law No. 30, 79th Cong.) general limitations have been placed by Congress on subsidy payments or losses and other operations must, of necessity, be restricted to the present capital structure. It is apparent, therefore, that Congress now exercises complete financial control over this Corporation but at the same time has allowed a necessary flexibility in operations which this bill will nullify. It is impracticable to budget the financial requirements of each individual program, and impossible to foresee the type of program or operation which the Corporation will be required to foster in order to carry out the mandates of the Congress. In this connection, attention is invited to the following statement of the Banking and Currency Committee of the House of Representatives: "Flexibility in operations, an essential attribute of the corporation form of organization, is indispensable to the accomplishment of the functions and objectives for which Congress has directed that the Commodity Credit Corporation be employed" (H. Rept. No. 846, 78th Cong.).

The Federal Crop Insurance Corporation was created by Congress to insure farmers against crop losses due to unavoidable causes. This insurance is provided at the lowest possible premium cost to farmers after allowing for the payment of indemnities and the establishment of adequate reserves. The success of this program depends upon extensive participation by farmers and we believe that such participation in large part is dependent upon the confidence of the insured that prompt indemnification for losses will be made. It is apparent that there are many essential factors affecting operations which are beyond the control of this Corporation, such as the farmers' participation in the insurance programs, the amount of income from premiums, the amount of claims for indemnity, and various market prices.

The Federal Crop Insurance Corporation has an authorized capital stock of \$100,000,000 to be subscribed by the United States of America (7 U. S. C. 1504) and the crop insurance activities of the Corporation are well defined by law. Specific appropriations are made by the Congress, through the regular Federal budget and legislative process, to enable the Secretary of the Treasury to subscribe and pay for the capital stock of the Corporation. Public Law 551, Seventy-eighth Congress, authorized general insurance programs for producers of wheat, cotton, and flax, beginning with the crops planted for harvest in 1945, and experimental programs on corn and tobacco in 1945 and on not more than three additional crops for each year after 1945. In order to implement this law, and after a thorough analysis of the operations of the Corporation and its capital fund requirements, the Congress appropriated \$30,000,000 for the purchase of capital stock by the Secretary of the Treasury (Public Law 40, 79th Cong.). The activities and operations of this Corporation are reviewed annually in connection with appropriations for administrative expenses, which also are provided through the regular budget process. It is apparent, therefore, that under the present law, Congress now exercises financial control over this Corporation and to place dollar limitations on any of its various specific insurance programs for any particular fiscal year would defeat the purposes for which the Corporation was created.

If the regular budget procedures were followed, this bill would require these corporations to operate, strictly and literally, on the basis of budget estimates prepared approximately 18 months in advance. We would like to emphasize the fact that the programs of these corporations are primarily related to particular crops of agricultural commodities and variations in the price structure and other phases of the economic situation. Thus, budget estimates on a fiscal- or calendar-year basis would be unworkable. It is obvious that the preparation of budget estimates for such operations is extremely hazardous, even allowing for maximum latitude in the preparation of the budget and, under such conditions, we seriously question the value or reliability of such information as a basis for advance legislative determination by individual, specific programs. Recognition of these variables unquestionably is the basis upon which the Congress has wisely authorized the Commodity Credit and Crop Insurance Corporations to operate in a competent manner to accomplish the statutory objectives with which they have been entrusted, within a framework of continuing legislative control and review.

The audit provisions of H. R. 2177 were apparently patterned very closely after those in section 3 of Public Law 240, Seventy-eighth Congress, as well as those in section 5 of Public Law 4, Seventy-ninth Congress, which provide for a commercial type audit by the General Accounting Office. The commercial type audit for which Public Law 240 already provides and for which H. R. 2177 would provide is described in some detail in House Report 846, dated November 8, 1943, on H. R. 3477. It is assumed that any audits carried out under the provisions of H. R. 2177 would be in accordance with the concept of the commercial type audit that is reflected in House Report 846. Section 513 of the Federal Crop Insurance Act which authorizes an audit of the Federal Crop Insurance Corporation by the General Accounting Office contains a provision which requires the Comptroller General to submit his report to the Corporation prior to the time that it is forwarded to Congress. This provision has the effect of giving this Corporation an opportunity to review, explain, and take prompt necessary corrective action in connection with matters reported by the Comptroller General. In all fairness to the corporations and the General Accounting Office and to insure a complete and accurate report to the Congress, it is recommended that your committee give consideration to the inclusion of similar provisions in H. R. 2177.

The other provisions of the bill dealing with additional capital or surplus, banking and checking accounts, issuance of bonds and other obligations, and the purchase and sale of United States obligations would require no changes in the corporations' present methods of operation. The congressional policy with respect to the basis for making the annual determination of the Commodity Credit Corporation's net worth and with respect to the restoration of capital impairment or payments to the Treasury is already stated in the act of March 8, 1938, as amended (52 Stat. 107). It is assumed that the general provisions of H. R. 2177, in regard to these matters are not intended to affect the provisions of the act of March 8, 1938, as amended, which apply specifically to the Commodity Credit Corporation.

There is attached a letter from the Commodity Credit Corporation, in which is outlined more fully the effects that enactment of H. R. 2177 will have on the operations of that Corporation.

In summary, we believe that insofar as the program operations (as distinguished from administrative expenses) of the Commodity Credit and the Federal Crop Insurance Corporations are concerned the budget provisions of this bill are unnecessary and unworkable. The other provisions of the bill, relating to audit, bank accounts, securities, etc., would not materially affect these corporations.

The War Food Administration has been advised by the Bureau of the Budget that while there would be no objection to the submission of such report to the committee as it may deem appropriate, the enactment of legislation which would accomplish the objectives of the bill H. R. 2177, including its budgetary objectives, would be in accord with the program of the President.

Sincerely,

(Signed) MARVIN JONES, *Administrator*.

(Enclosure.)

UNITED STATES DEPARTMENT OF AGRICULTURE,
COMMODITY CREDIT CORPORATION,
Washington, D. C., May 24, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives.*

DEAR MR. MANASCO: This is in reply to your letter of February 20, requesting our comments on H. R. 2177, a bill to provide for financial control of Government corporations, as it relates to Commodity Credit Corporation.

Section 2 of the bill declares the congressional policy to be that Government corporations and their transactions be brought under the annual scrutiny of the Congress and that the Congress achieve financial control thereof. Section 101 defines "wholly owned Government corporations" and includes the Commodity Credit Corporation within the definition. Section 102 requires each wholly owned Government corporation to submit to the Director of the Bureau of the Budget annually "a budget program covering all operations for the ensuing fiscal year with comparisons with the current fiscal year and the last completed fiscal year," and requires that such program be submitted to the Congress in the annual budget.

Section 103 authorizes the Bureau of the Budget to prescribe the form and content of, and the manner in which, such budget program shall be presented and requires that estimates be made of necessary borrowing by the corporations concerned, of the amount of Government capital funds which will be returned to the Treasury during the fiscal year or the appropriation required for the reissuance of authorized capital or the restoration of impairments. Section 103 also permits the Bureau of the Budget to include requests for authorization to cover possible emergency or contingent operations, such operations to be initiated only upon approval by the President, and to be reported to the Congress. Section 104 prohibits the transaction of any business in any fiscal year except such business as is authorized by act of Congress as a part of the budget program for such fiscal year. Section 104 also provides that funds made available for administrative expenses may not be obligated or expended until an appropriation account has been established and such funds are to be subject to apportionment by the Bureau of the Budget. Claims and accounts under such appropriation accounts are made subject to adjustment and settlement by the General Accounting Office.

Sections 105, 106, and 301 of the bill relate to the audit of financial transactions of Government corporations. Section 105 provides for an audit by the General Accounting Office of the financial transactions of wholly owned Government corporations in accordance with the principles and procedures applicable to commercial corporate transactions; requires that the audit be made at the place or places where the accounts of the corporations are normally kept; provides that the representatives of the General Accounting Office shall have access to all books and records necessary in the audit; and provides that such audit shall begin with the fiscal year commencing July 1, 1945. Section 106 provides that a report if the audit shall be made to the Congress yearly by the General Accounting Office and specifies the points on which the Comptroller General shall report and make recommendations. It also provides that a copy of the report shall be furnished to the President and to the Corporation. Section 301 provides that the expense of the audit shall be borne by the General Accounting Office and authorizes appropriations for such sums as may be necessary for the purpose.

Section 107 provides that no additional Government capital or paid-in surplus shall be subscribed or paid in to any wholly owned corporation except pursuant to specific appropriation therefor. Section 108 provides that any corporation deemed by the Director of the Bureau of the Budget to be better operable other than as a corporation shall, upon approval of the President, be treated as if it were a Government agency other than a corporation.

Title II of the bill, which deals with "Mixed-Ownership Government Corporations," is not applicable to Commodity Credit Corporation and, therefore, will not be discussed here.

Section 302 of the bill subjects the banking or checking accounts of all Government corporations to the control of the Secretary of the Treasury. Section 303 (a)

subjects all corporations, in the issuance of bonds, notes, debentures, and other similar obligations, to the control of the Secretary of the Treasury. Section 303 (b) prohibits the sale or purchase by Government corporations, without the approval of the Secretary of the Treasury, of direct obligations of the United States or obligations guaranteed by the United States. Section 303 (c) permits the Secretary of the Treasury to delegate his duties under (a) and (b). Section 304 (a) prohibits the creation of a corporation by any officer or agency of the Federal Government or by any Government corporation except by direct congressional action or pursuant to act of Congress. Section 304 (b) provides that any corporation hereafter created shall be subject to the provisions of the bill. Section 305 repeals conflicting provisions of law.

For clarity of discussion, we shall comment upon the provisions of the bill in the following order:

(a) The provisions establishing the budget program requirements for wholly owned Government corporations;

(b) the provisions concerning audit requirements; and

(c) the other provisions of the bill.

We feel that the provision of H. R. 2177 which prohibits any wholly owned Government corporation from transacting any business except such business as is approved by the Congress as part of its budget program would have to be substantially changed if serious interference with the effective administration of the program activities of Commodity Credit Corporation is to be avoided. The program activities of Commodity Credit Corporation are such that it is impossible to estimate in advance, with any reasonable degree of accuracy, what the volume and the scope of these activities will be during any fiscal year. In this connection your attention is called to the following statement of the Banking and Currency Committee of the House of Representatives, before which the Corporation has appeared periodically in justifying extensions of its life as an agency of the United States and increases in its borrowing power: "Flexibility in operations, an essential attribute of the corporation form of organization, is indispensable to the accomplishment of the functions and objectives for which Congress has directed that the Commodity Credit Corporation be employed" (H. Rept. No. 846, 78th Cong.). We believe that enactment of the bill in its present form would destroy such flexibility and seriously impair the ability of the Corporation to accomplish its functions and objectives as stated by the Congress.

Commodity Credit Corporation is engaged primarily in carrying out price-support programs through loans which are mandatory by law at a specified rate on the six basic commodities—cotton, wheat, corn, rice, tobacco, and peanuts for nuts (7 U. S. C. 1302; 50 U. S. C., App. 968, as amended by section 204 of the Stabilization Extension Act of 1944 and section 37 of the Surplus Property Act of 1944); by loan, purchase, or other programs at a minimum rate which is prescribed by the so-called Stagall amendment for certain other commodities—hogs, eggs, chickens and turkeys, milk and butterfat, dry peas, dry edible beans, peanuts for oil, soybeans for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes (15 U. S. C. 713a-8 (a)); and by lending and purchase operations for other commodities—wool, naval stores, sugar beets and sugarcane, and processing fruits and vegetables, among others—designed, in conformity with congressional policy, to bring the price and income of producers of such commodities to a fair relationship with other commodities (15 U. S. C. 713a-8 (b)).

Other types of programs carried out by Commodity Credit Corporation include the procurement and sale of various commodities for lend-lease and war uses, the sale of wheat and other grains for feed, and other types of sales programs, including sales for export pursuant to section 21 (c) of the Surplus Property Act of 1944 and sales of surplus commodities as a disposal agency pursuant to that act.

The very nature of these programs is such that the extent to which they are engaged in is determined by factors entirely beyond the control of the Corporation. These factors include, for example, the size of the crop, market conditions, prices, the extent to which storage and transportation facilities are available, the quality of the crop, and even weather conditions and war and postwar developments. Many of the Corporation's programs are carried out through open offers to buy, lend upon, or sell in any quantity required, which contemplates participation in the program by any and all who can qualify and who wish to accept the offer.

The annual Budget is submitted to the Congress on January 1 of each year. In order for an estimate to be included in the Budget it must, under present procedures, have been submitted to the Bureau of the Budget by the preceding

September. It is, therefore, necessary for the estimate to have been prepared in the agency during July and August. Thus, the Budget estimates for the fiscal year ending June 30, 1946, were prepared in the agency during July and August 1944. Thus, in the case of Commodity Credit Corporation, it would have been necessary under the bill to forecast at that time the quantities of agricultural commodities to be planted during the spring of 1945 which would have to be purchased or loaned upon during the fiscal year 1946 in order to support prices as required by statutes. It is obvious from the nature of the programs of the Corporation, that the making of Budget estimates so far in advance would be an extremely hazardous process, even allowing for the greater latitude which the bill would apparently permit a corporation in making estimates of program expenses, as distinguished from estimates for administrative expenses. We wish to point out in this connection that, in order to enable producers to make their production plans, it has been necessary to announce many of the Corporation's crop programs prior to the planting season, usually during the winter or early spring. In other words, it has been necessary to announce during one fiscal year programs that will be carried out during the next fiscal year. Under the bill, in terms of particular crop programs, Commodity Credit Corporation would have been required to include in the proposed Budget program formulated in the late summer of 1944 authority to announce before planting time in 1946 (during the fiscal year 1946) a program to be carried out with respect to a commodity to be harvested in the summer and fall of 1946 (during the fiscal year 1947).

We recognize that the bill contains provision for emergency or contingent operations. Even assuming, however, that liberal allowance is made in the Budget program for such emergency and contingent operations, we do not believe that there would be sufficient flexibility to permit the carrying out of programs urgently needed to meet conditions not foreseeable in advance of planting and harvesting.

In conclusion, we wish to point out, with respect to the budget program provisions of the bill, that the Congress has and now exercises several means of examining and reviewing the activities and plans of Commodity Credit Corporation. The Corporation's activities and plans are reviewed annually when consideration is given by the Congress to the annual appropriation item for administrative expenses of the Corporation, as is already required by law (15 U. S. C. 712a). Moreover, the Corporation appears periodically before the Congress in connection with the extension of its life as an agency of the United States. Further, Congress has an opportunity to review and examine the Corporation's activities and plans when increases in the Corporation's borrowing power are requested and when appropriations are requested, pursuant to the act of March 8, 1938, as amended, to restore any capital impairment. The present method involves the justification to the Congress, so far as is practicable, of proposed program operations of the Corporation and serves as a means of keeping Congress informed as to the activities and plans of the Corporation, and at the same time it preserves that flexibility which the Banking and Currency Committee has recognized as essential to the accomplishment of its objectives.

The audit provisions of H. R. 2177 are substantially similar to the provisions of section 3 of Public Law 240 (approved February 28, 1944), as well as to the provisions of section 5 of Public Law 4 (approved February 24, 1945), the so-called George bill. Section 3 of Public Law 240, which already provides for a commercial audit of Commodity Credit Corporation's transactions by the General Accounting Office, was enacted at the request of both Commodity Credit Corporation and the Comptroller General. The audit provisions of H. R. 2177 were apparently patterned very closely after the audit provisions of Public Law 240, although some of the provisions of the latter act are peculiar to Commodity Credit Corporation. For example, the latter act provides that the report of the audit by the General Accounting Office shall be considered by the Secretary of the Treasury in making his annual appraisal of the assets and liabilities of Commodity Credit Corporation under the act of March 8, 1938. The commercial type of audit for which Public Law 240 already provides and for which H. R. 2177 would provide is described in some detail in House Report 846, dated November 8, 1943, on H. R. 3477. (We assume that H. R. 2177 is not intended to affect the provisions of section 3 of Public Law 240 which are specifically applicable to Commodity Credit Corporation and that any audit carried out under H. R. 2177 would be in accordance with the concept of the commercial type of audit that is reflected in H. Rept. 846.)

We wish to point out that the Congressional policy with respect to the basis for making the annual determination of the Corporation's net worth and with respect to the restoration of capital impairment or payments to the Treasury is

already stated in the act of March 8, 1938, as amended (15 U. S. C. 713a-1 and 2). We assume that the general provisions of H. R. 2177 touching on these matters are not intended to affect the provisions of the act of March 8, 1938, as amended, which apply specifically to Commodity Credit Corporation.

The provisions of the bill dealing with additional capital or surplus (sec. 107), banking and checking accounts (sec. 302), the issuance of bonds and other obligations (sec. 303 (a)), and the purchase and sale of United States obligations (sec. 303 (b)) would require no changes in the Corporation's present methods of operation.

We appreciate the opportunity of expressing our views on this bill. It has always been the policy of the Corporation to cooperate with the Bureau of the Budget, the Treasury Department, the General Accounting Office, and the Congress in promoting practicable financial controls of its transactions and operations. Representatives of the Corporation worked with the Secretary of the Treasury in developing and presenting to the Congress proposed legislation providing for an annual appraisal of the assets and liabilities of the Corporation which was enacted March 8, 1938 (15 U. S. C. 713a-1), and, as is indicated above, officials of the Corporation collaborated with representatives of the Comptroller General in developing the principle of commercial audit of the Corporation which was enacted in Public Law 240, 78th Congress, and which was cited by the Comptroller General as providing a basic pattern for the audit of other Government corporations.

The War Food Administration has been advised by the Bureau of the Budget that while there would be no objection to the submission of such report to the committee as it may deem appropriate, the enactment of legislation which would accomplish the objectives of the bill H. R. 2177, including its budgetary objectives, would be in accord with the program of the President.

Sincerely yours,

(Signed) JESSE B. GILMER
(For President).

DEPARTMENT OF COMMERCE,
Washington 25, March 28, 1945.

Hon. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. CHAIRMAN: Reference is made to your letter of February 20, 1945, addressed to the Inland Waterways Corporation, requesting their views with respect to H. R. 2177, a bill to provide for financial control of Government corporations."

The only corporations listed in the bill which are under the jurisdiction of this Department are the Inland Waterways Corporation and Warrior River Terminal Company. Both of these corporations are engaged in a common-carrier business and subject to the regulations of the Interstate Commerce Commission. Due to the nature of their business as more fully set forth in the accompanying report of the Acting President of the Inland Waterways Corporation, it would be most difficult to successfully operate under such a budgetary control as is contemplated by the proposed bill. It is suggested that the Inland Waterways Corporation and the Warrior River Terminal Company be excepted from the bill. Representatives of these corporations will be glad to appear before the committee and discuss the proposed legislation in further detail if desired.

The Bureau of the Budget has advised there would be no objection to the submission of this letter to your committee, but that the enactment of legislation which would accomplish the objective of H. R. 2177 would be in accord with the program of the President.

Sincerely yours,

(Signed) H. A. WALLACE
Secretary of Commerce.

INLAND WATERWAYS CORPORATION,
St. Louis, Mo., March 7, 1945.

J. S. POWELL,
Acting Chairman of the Board—Acting President.

Memorandum to the Secretary of Commerce:

I have received direct from the Honorable Carter Manasco, the chairman, Committee on Expenditures in the Executive Departments, House of Representa-

tives, a letter dated February 20, 1945, requesting my views on H. R. 2177, a bill "to provide for financial control of Government corporations."

Mr. Manasco has been informed that my views on this bill would be submitted through you, and I now wish to report thereon as follows:

The Inland Waterways Corporation was created by Public, No. 185, Sixty-eighth Congress, "An Act to create the Inland Waterways Corporation for the purpose of carrying out the mandate and purpose of Congress as expressed in sections 201 and 500 of the Transportation Act, and for other purposes," approved June 3, 1924, and amended by Public, No. 601, Seventieth Congress, approved May 29, 1928. Other amendments, authorizing extension of the Corporation's service, are contained in Public, No. 361, Seventy-third Congress (approved June 16, 1934), Public, No. 389, Seventy-fourth Congress (approved August 29, 1935), and Public, No. 157, Seventy-fifth Congress (approved June 19, 1937).

The decision of Congress to create the Inland Waterways Corporation, and to give it certain corporate powers and duties specified in the act, arose from the following circumstances. By act of Congress, approved August 29, 1916, a Council of National Defense was established for the more adequate insurance of national security and welfare. One of the functions of the Council was to direct investigations and make recommendations to the President looking to the more effective utilization of domestic waterways. A committee appointed by the Council in June 1917 made a survey of the subject, and the data accumulated by this committee was turned over to the Director General of Railroads in the early part of 1918. By section 6 of Public, No. 107, Sixty-fifth Congress, the Director General was authorized to acquire and operate transportation facilities on the inland, canal, and coastwise waterways. Operations began by the Railroad Administration on the lower Mississippi River on September 28, 1918. These operations, together with operations later commenced on the Warrior River, were continued until February 29, 1920, when these Government-owned facilities were transferred to the Secretary of War for operation in accordance with section 201 of the Transportation Act, 1920, Public, No. 152, Sixty-sixth Congress. Thus, the facilities acquired by the Railroad Administration as a wartime measure were continued in operation under mandate of Congress by the Secretary of War until June 3, 1924, when the facilities were transferred to the Inland Waterways Corporation by Public, No. 185, Sixty-eighth Congress.

During the period from February 29, 1920, until the creation of the Corporation on June 3, 1924, the service was operated by the Secretary of War under the name of the Inland and Coastwise Waterways Service, and was subject to the appropriation acts for civil functions administered by the War Department. The difficulties encountered in operating subject to Budget estimates, annual appropriations, and control by the Comptroller General led to the introduction of H. R. 8209 and S. 3161, first session, Sixty-eighth Congress.

In reporting these bills, with recommendation that they pass, the House Committee on Interstate and Foreign Commerce (Rept. No. 375) and the Senate Committee on Commerce (Rept. No. 538) stated:

"The purpose of the pending bill is to reorganize the inland and coastwise waterways service that is now being operated by the Secretary of War and put it on a practical business basis. Experience in the last 2 or 3 years has shown that the barge lines on the Mississippi and Warrior Rivers cannot be successfully operated and cannot carry out the purpose declared by Congress in the Transportation Act of 1920 without a reorganization which will enable the Secretary of War to operate it as any private business concern would operate it.

"At present the Secretary of War is limited in his expenditures by the appropriations that are made for the barge-line service. He is not allowed by law to incur a deficit nor can he borrow money to meet current expenses even in case of an emergency, and emergencies may very often arise in river transportation. Nothing can be done in Washington except in accordance with bureaucratic regulations which are often not in accordance with plain business principles and necessity. The acts of the Secretary of War are hedged about by so many limitations that it has been found to be practically impossible to operate these transportation systems as they should be operated in order to carry out the purpose for which they have been placed under his control. It is for the purpose of getting away from these restrictions and bureaucratic regulations, and for the purpose of putting the barge-line system upon a better business basis that this bill is favorably reported by the committee with a recommendation that it pass."

Still further, the Senate report states:

"Under the terms of the Transportation Act, 1920, the Secretary of War is made the mandatory of Congress, as follows: * * * The operation of the transportation facilities referred to shall be subject to the provision of the Interstate Commerce Act as amended by the Transportation Act, or by subsequent legislation, and to the provisions of the Shipping Act, 1916, as now or hereafter amended, in the same manner and the same extent as if such transportation facilities were privately owned and operated.

"The law also provides that the continuity of the operations shall be dependent upon congressional appropriations.

"In the operation of the transportation facilities turned over to him the Secretary of War found that these two provisions of law were diametrically opposed, because it is quite impossible to foresee all contingencies which might arise causing the disbursement of moneys, and which might lead to the creation of a deficit by his Department, in itself a violation of law.

"The testimony set out in full before the House Committee on Interstate and Foreign Commerce, and available to this committee, as well as the testimony of the Secretary of War before this committee, supplemented by the evidence of the Army officer charged with the execution of his policy show that in endeavoring to comply with the mandates of Congress, the Secretary of War has been handicapped to an extent that has jeopardized the success of the project."

There is no doubt of the wisdom of Congress in creating his Corporation in accordance with its views expressed above. The instant bill, in my opinion, imposes conditions that, to a large degree, nullify these views. I believe that the purpose and will of Congress expressed in the above is proper and wise now, as it was then, and I trust that the instant bill will be considered by the Congress in the light of its previously expressed intent.

It should be noted that during the entire period of the present war a very large part of this Corporation's facilities has been and will continue to be engaged in the transportation of materials and articles directly involved in the war effort. In particular, it is engaged in towing many combat vessels for the Navy from Lockport, Ill., to New Orleans. These include submarines, landing tank craft, destroyer escorts, frigates, drydocks, and many other types. Some 350 such vessels have been transported. This is a vital service and one in which many emergencies arise.

The instant bill also includes by its terms the Warrior River Terminal Company. That Company was originally organized under that name by a group of citizens of Birmingham, Ala., under the laws of the State of Alabama, primarily for the purpose of acquiring the property of the Ensley Southern Railway Co. in receivership. The Warrior River Terminal Company was in turn acquired by this Corporation by purchase of its capital stock. It is a rail-switching facility and is a necessary connecting link between the Corporation's water transportation service at Port Birmingham, Ala., and trunk-line railroads entering the Birmingham district. The Warrior River Terminal Company pays taxes to the State of Alabama on the value of its property, but it is not pay income tax. The corporate name and State charter were retained primarily because of certain advantages in rate making anticipated by maintaining this switching facility as a subsidiary corporation. If the Congress desires, the Terminal Company's State charter could be surrendered and its accounts consolidated with those of the Inland Waterways Corporation, of which it is in fact an essential part.

Signed J. S. POWELL, *Assistant Secretary*

DEPARTMENT OF THE INTERIOR

Washington, D. C., May 11, 1922.

HON. CARTER MANASCO,

Chairman, Committee on Appropriations in the House of Representatives.

House of Representatives, Washington, D. C.

MY DEAR MR. MANASCO: Reference is made to a letter of May 10 regarding my comments on H. R. 2477, a bill to provide for financial control of Government corporations.

The proposed legislation would make all wholly owned Government corporations and certain partly owned holding corporations subject to budget and congressional appropriation procedures, and would require such reports as the General Accounting Office to settle and audit their accounts.

Only one of the wholly owned corporations named in the bill, the Virgin Islands Company, is under the jurisdiction of this Department. Should the Congress consider it appropriate to apply the conditions of H. R. 2177 to Government-owned corporations in general, I would have no objection to their application to the Virgin Islands Company.

From time to time various lists of Government-owned corporations have included the Puerto Rico Cement Corp. In October 1943, that corporation repaid the entire amount of the investment of the United States and the Federal Government no longer has any interest in the corporation.

The Bureau of the Budget has advised me that there is no objection to the submission of this report to your committee.

Sincerely yours,

(Signed) HAROLD L. ICKES,
Secretary of the Interior.

DEPARTMENT OF JUSTICE,
Washington, D. C., May 2, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. CHAIRMAN: This is in response to your request for my views concerning a bill (H. R. 2177) to provide for financial control of Government corporations.

This bill relates to the financial control of certain enumerated Government corporations (sec. 101). Each of the corporations listed in the bill would be required to submit a budget program to the Bureau of the Budget annually for inclusion in the annual budget, in the same manner as estimates are submitted by Government agencies under the Budget and Accounting Act of 1921. The bill contains a provision that no wholly owned Government corporation shall transact any business, except such as is authorized by Congress as a part of its budget program for the fiscal year or make any expenditures for administrative expenses, except as authorized and made available by Congress for the fiscal year (secs. 102-103). Funds so made available are to be subject to apportionment by the Bureau of the Budget, and claims and accounts thereunder are to be subject to adjustment and settlement by the General Accounting Office (sec. 104). The financial transactions of wholly owned Government corporations would be audited by the General Accounting Office (sec. 105) and a report of the audit would be submitted to the Congress (sec. 106). Certain other provisions of the act relate to what are called mixed-ownership Government corporations.

Among the wholly owned Government corporations to which the legislation would apply is Federal Prison Industries, Inc., whose activities are conducted under the supervision of the Department of Justice as part of the Federal penal and correctional system.

The creation of this corporation was authorized by the act of June 23, 1934 (48 Stat. 1211; 18 U. S. C. 744i-744m). The affairs of the corporation are managed by a Board of Directors appointed by the President and consisting of five persons, one of whom is a representative of industry, one a representative of labor, one a representative of agriculture, one a representative of retailers and consumers, and one a representative of the Attorney General. The object of creating the corporation was to provide for the full employment of Federal prisoners under a diversified system which would maintain at a minimum the amount of competition with free labor. In order to effectuate this policy, an independent board was created to represent industry, agriculture, labor, retailers and consumers, and the Department of Justice. This act has proven successful in actual operation, especially as it provided an independent board to weigh the objections of industry and labor to any prison-employment project and made possible the development of a long-range program.

The funds of the corporation are handled by the Treasury Department, as prescribed by the above-mentioned act, and withdrawals are made only pursuant to warrants or certificates of settlement issued by the General Accounting Office. An annual report is made to the Congress on the conduct of the business of the corporation and on the condition of its funds. Consequently, under existing law a complete fiscal control of the activities of the corporation is being maintained. On the other hand, the provisions of the bill which would prohibit any corporation listed therein from making any expenditures for administrative expenses in any fiscal year, except in the amounts authorized and made available by Congress

for such fiscal year, would render it impracticable to maintain a long-range policy and thereby possibly lead to frustration of the very purpose for which Congress authorized the creation of the corporation. Since the operation of a long-range program has been successfully achieved, in accordance with the objectives of the Congress, it would seem undesirable to bar a continuation of this policy.

In the light of the foregoing circumstances, I recommend that if the bill is to receive favorable consideration it should not be made applicable to Federal Prison Industries, Inc., and accordingly, Federal Prison Industries, Inc., should be stricken from the enumeration of corporations in section 101 (p. 2, line 16).

I have been advised by the Director of the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

FRANCIS BIDDLE, *Attorney General.*

FEDERAL PRISON INDUSTRIES, INC.,
DEPARTMENT OF JUSTICE,
Washington 25, June 29, 1945.

Re H. R. 2177.

Hon. CARTER MANASCO,

House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN MANASCO: As you recall, through a misunderstanding, the Committee on Expenditures in the Executive Departments adjourned its hearings on H. R. 2177 before representatives of Federal Prison Industries, Inc., had an opportunity to present their views. You very courteously suggested that we do so in the form of a statement. We appreciate very much this opportunity. Since the hearings, the Board of Directors, at a meeting held June 22, 1945, directed the officers of the Corporation to express their opposition to the Corporation being included in H. R. 2177. The Board thus concurs in the views and recommendation of the Attorney General as expressed in his letter of May 2, 1945, to your committee.

Federal Prison Industries, Inc., is unique among Government corporations. It was organized by Executive Order 6917 dated December 11, 1934, pursuant to the act of June 23, 1934 (ch. 736, 48 Stat. 1211 (18 U. S. C. 744 i-n)). Under this statute and the Executive order, the Corporation took over the powers, duties, and functions vested in the Attorney General by the act of May 27, 1930 (ch. 340, 46 Stat. 391 (18 U. S. C. 744 a-h)). No power is derived from any other source.

The function of the Corporation is to establish and operate industries in the United States penal and correctional institutions producing articles and commodities for consumption in such institutions or "for sale to the departments and independent establishments of the Federal Government and not for sale to the public in competition with private enterprise." It is its duty to diversify these industries so as to "reduce to a minimum competition with private industry or free labor." In establishing such industries, the corporation is required to provide such forms of employment as will give the inmates of the institutions "a maximum opportunity to acquire a knowledge and skill in trades and occupations which will provide them with a means of earning a livelihood upon release." The quotations are from sections 1 and 3 of the act of May 27, 1930.

The earnings of the Corporation are deposited in the Treasury of the United States in a special working capital fund which under the basic statute is made available only for certain specific purposes. Accounts of all fiscal transactions of the Corporation must be rendered to the General Accounting Office which exercises the same supervision over such transactions as in the case of any other Government department. The Corporation has no borrowing or lending power.

The governing body of the Corporation consists of a board of five directors appointed by the President of the United States who hold office at his pleasure and serve without compensation. One member of the Board represents industry, one labor, one agriculture, one retailers and consumers, and one the Attorney General. The Board is required by the statute to make an annual report to Congress on the conduct of the business of the Corporation and the condition of its funds.

Experience under the basic act of May 27, 1930, was not satisfactory particularly in connection with the diversification of industries in the penal institutions. Every attempt to establish a new industry so as to carry out the congressional mandate of diversification and to provide wider opportunities for training was met with determined opposition on the part of interested minority groups who feared the effect of the indirect competition which might result. As a result, the

congressional policy of diversification could be carried out only with great difficulty and in the face of determined resistance. This situation gave grave concern, not only to those who were charged with the duty of carrying out the policy of Congress, but also to responsible labor and industrial leaders as well as penologists and public-minded citizens interested in the problem.

In order to meet the situation conferences were held between representatives of the Attorney General, Congress, industry, labor, and others. The result was the act of June 23, 1934, authorizing the establishment of the Corporation and the appointment of a Board of Directors representing the various groups who might be affected in any way by even the indirect competition of prison industry. This Board of Directors was vested with the powers and functions formerly exercised by the Attorney General under the act of May 27, 1930. This plan was endorsed by representatives of the interested groups, including the American Federation of Labor.

The situation which brought forth the organization of the Corporation with its governing board representing all interested groups is clearly set forth in the House report on the bill authorizing the establishment of the Corporation. The following is quoted from House Report No. 1421, Seventy-third Congress, second session, dated May 1, 1934:

"The operation of prison industries so as to provide necessary employment for prisoners and, at the same time, carry out the purposes of the act of May 27, 1930, that such employment shall be 'in such diversified forms as will reduce to a minimum competition with private industry or free labor' has been attended with great difficulties. Attempted diversification of prison employment by prison authorities has been met by resistance from every industry into the field of which it is sought to go even to a minor extent, and the major portion of prison industry production has, therefore, been largely limited to the particular industries already carried on by the Bureau of Prisons prior to the enactment of the act of May 27, 1930."

This report also contains the endorsement of the American Federation of Labor. The Senate report on the bill (S. Rept. 1377, 73d Cong., 2d sess.) adopted the views of the House committee and quoted the House report. Upon signing the bill, President Roosevelt made the following statement:

"I am glad to approve this bill because it represents a distinct advance in the progress of prison industries. Without any important competition with private industry or labor, the Government can provide increasingly useful work for those who need to learn how to work, and to learn that work in itself is honorable and is a practical substitute for criminal methods of earning one's livelihood."

In the 10 years that this Corporation has been in existence, the faith of the President and the hopes of the sponsors of the bill have been fully justified. The Corporation has diversified the work in the prisons so that now it operates more than 50 industries and shops, all of them relatively small, and representing more than 30 different types of industry. Approximately 95 percent of the output goes to the war agencies. In the early years of the Corporation the few complaints made on the part of industries who thought they might be affected adversely by the activities of the Corporation were resolved satisfactorily by the Board of Directors. Of late years there have been no objections from any responsible source. No moneys other than its earnings are appropriated for the use of the Corporation. The earnings remain in the Treasury of the United States, can be expended only for the specific purposes named in the statute, and in the manner provided by the laws applicable to other Government departments.

It is respectfully suggested that no additional congressional control is necessary as to this Corporation. A comprehensive audit is already provided for by existing law. The Treasury provisions of the bill have no application as the money of the Corporation is deposited in the Treasury of the United States and it has no lending or borrowing power. As to the Budget provisions, the Board of Directors exercises very close control over the fiscal affairs of the Corporation. They place a limitation upon expenditures for specific purposes and receive detailed reports at each of their semiannual meetings. In the interim, emergency and contingent matters not anticipated and considered at the regular meetings are taken up with members of the Board by mail, telegraph, or telephone. This procedure provides the necessary flexibility where prompt action must be taken, which is often the case in connection with what is essentially a manufacturing business. In its annual report to Congress, the Board reviews the activities of the Corporation, its financial condition, and other pertinent information so as to keep Congress fully informed of its activities.

The most serious effect the bill would have, and which would revive the same difficulties which led to the formation of the Corporation, is found in the provisions of section 104 of Committee Print No. 2. Under this section the extent of the activities of the Corporation under the substantive law applicable to it would be placed under the annual control of Congress, which would again be subjected annually to the same pressure referred to in the House report above quoted. It seems obvious that we would then be back just where we started. Congress, in effect, would then take back the burden of determining the policy of the Corporation, already sharply circumscribed by the applicable substantive law, rather than leaving it to the specially qualified Board Congress itself set up for that very purpose.

Pursuant to repeated suggestions made during the hearings, this question has been discussed with representatives of the Bureau of the Budget who suggested that the following amendment would relieve the Corporation of the limiting effect of the annual budget program legislation if the committee desired to do so. The proposed amendment is as follows:

Page 7, line 11, Committee Print No. 2, insert the following after the word "law": "nor shall any provision of this section be construed as affecting in any way the provisions of Executive Order 6917 of December 11, 1934."

The Executive order referred to is the one which established the Corporation, a copy of which is attached.

With this amendment, Congress would still be informed, through the audit, of what the Corporation had done, and would have the benefit of any recommendations of the Comptroller General. Congress would also have the benefit of an over-all business-type budget informing it as to its general program for the future. The audit and budget, together with the annual report of the Directors of the Corporation, would give Congress all the information necessary to make such changes in the substantive law they might think advisable. The proposed amendment, however, would relieve the Corporation of uncertainty as to its future operations, and permit the Board of Directors to plan for the future with confidence so long as the planning was within the powers and functions already vested in it by Congress in the acts above referred to.

We trust that the committee will find it agreeable to either eliminate Federal Prison Industries, Inc., from section 101 of the bill or adopt the suggested amendment to section 104. If the committee feels that this cannot or should not be done, the Director of the Bureau of Prisons, who is also Commissioner of Industries of the Corporation, and the members of the Board of Directors would appreciate the privilege of appearing before the committee and further presenting their views.

Sincerely yours,

A. H. CONNER, *Associate Commissioner.*

AMENDMENT TO H. R. 2177 PROPOSED BY FEDERAL PRISON INDUSTRIES, INC.,
COMMITTEE PRINT NO. 2

Page 7, line 11, insert the following after the word "law": nor shall any provision of this section be construed as affecting in any way the provisions of Executive Order 6917 of December 11, 1934.

EXECUTIVE ORDER NO. 6917

CREATING A BODY CORPORATE TO BE KNOWN AS FEDERAL PRISON INDUSTRIES, INC.

By virtue of the authority vested in me by the Act of June 23, 1934 (Public Law No. 461, 73d Congress), it is hereby ordered that a corporation of the District of Columbia be and is hereby created, said corporation to be named as

FEDERAL PRISON INDUSTRIES, INC.

1. The governing body of said corporation shall consist of a board of five directors to hold office at the pleasure of the President. The following persons shall constitute the first Board of Directors:

Mr. Sanford Bates
Mr. Thomas A. Rickert
Hon. John B. Miller
Dr. M. L. Brittain
Mr. Sam A. Lewisohn

2. The principal office of said corporation shall be in the City of Washington, District of Columbia, but the corporation shall have power and authority to establish such other offices or agencies as it may deem necessary or appropriate.

3. The said corporation shall have power to determine in what manner and to what extent industrial operations shall be carried on in the several penal and correctional institutions of the United States and shall, so far as practicable, so diversify prison industrial operations that no single private industry shall be forced to bear an undue burden of competition with the products of the prison workshops. It shall also have power to do all things it is authorized to do by the said Act of June 23, 1934, and all things incident to or necessary or proper in the exercise of its functions.

4. Pursuant to the provisions of Section 4 of the said Act, the Secretary of the Treasury is directed to transfer to a fund to be known as "the Prison Industries Fund" all balances standing to the credit of the Prison Industries Working Capital Fund on the books of the Treasury and the corporation is authorized to employ the aforesaid funds, and any earnings that may hereafter accrue to the corporation, as operating capital.

5. The Attorney General is directed to transfer to the corporation hereby created all personal property, assets, accounts receivable, and equipment of any and every kind now under the jurisdiction of the Industrial Division of the Bureau of Prisons of the Department of Justice.

6. The corporation shall assume all valid claims and obligations now payable out of the Prison Industries Working Capital Fund.

7. Said corporation shall have power to sue and be sued.

8. Any vacancies occurring in the membership of the Board of Directors shall be filled by the President of the United States.

9. The heads of the several executive departments, independent establishments, and Government-owned and Government-controlled corporations shall cooperate with the corporation in carrying out its duties and shall purchase at not to exceed current market prices, the products or services of said industries, to the extent required or permitted by law.

10. All powers and duties vested in the Attorney General and not specifically transferred to the corporation by said Act of June 23, 1934, or by this Executive Order and assumed by said corporation, shall remain vested in the Attorney General or his duly qualified representatives as heretofore.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *December 11, 1934.*

WAR DEPARTMENT,
Washington, D. C., May 9, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. CHAIRMAN: 1. Reference is made to your letter of February 22, 1945, in which you requested the views of the Panama Railroad Company on bill H. R. 2177, to provide for financial control of Government corporations.

2. This office is fully in accord with the general objective of the proposed legislation, which is to provide closer control by the Congress over the operations of Government corporations. However, it is apprehended that some of the more restrictive provisions of the bill, especially certain of the budgetary provisions contained in sections 103 to 105, will considerably impair the effectiveness of the organization (including the Panama Railroad Company) which has been perfected as the result of many years of experience to meet the unusual requirements for the satisfactory operation of the Panama Canal. Anything in the proposed legislation which would interfere with the efficient working of the Panama Canal without adequate compensatory advantages would be a matter of great concern to this Department.

3. The organization for the operation, maintenance, and sanitation of the Panama Canal and the government of the Canal Zone and the numerous subsidiary functions and facilities incident thereto, consists of two complementary main parts, each with well defined functions, but both under the same general direction, as follows:

(a) The Panama Canal, an independent Government agency, under the direction of the Secretary of War but not a part of the War Department. The Panama Canal, as a governmental agency, exercises governmental functions relating to the primary mission of the organization to move ships through the Canal and to

provide essential service to these ships and to ships at the terminal ports of the Canal, and to administer the government of the Canal Zone. The operations of the Panama Canal are financed by appropriations. The revenues from tolls for the use of the Canal are paid directly into the Treasury of the United States, as are all other revenues, except when reappropriated by the Congress.

(b) The Panama Railroad Company, which operates the railroad crossing the Isthmus, the steamship line which prior to the entrance of the United States into the war plied between New York and the Isthmus, the docks and harbor terminals on the Isthmus, coaling plants for ships, commissary stores supplying employees and ships, dry and cold storage plants for supplies, the telephone system of the Canal Zone, and other activities of a similar character, all of a purely commercial character essential to the operation of the Canal and the maintenance of the thousands of employees required for the maintenance and operation of the vast Canal enterprises. The operations of the Company are financed with its own funds and without appropriations from Congress.

4. Although the operations of the Panama Canal and the Panama Railroad Company are conducted as separate units, particularly insofar as their finances are concerned, the general policies governing their operations are determined with a view to accomplishing the most effective operation of the organization as a whole. Any reduction in the efficiency of the railroad's operations will have an immediate harmful effect upon the operation of the Canal, as well as upon the operations of the Army, Navy, and other Government agencies in the Canal Zone that look to it for essential services.

HISTORY OF THE PANAMA RAILROAD COMPANY

5. The Panama Railroad Company is the oldest wholly Government-owned corporation, and the only such corporation that was organized originally as a private corporation. It was incorporated by an act of the legislature of the State of New York on April 7, 1849, and was operated under private control until 1881 when the original French Canal Co. acquired the great majority of the 70,000 shares of its stock. This company and its successor, the New Panama Canal Co., continued to operate the railroad company as a common carrier and also as an adjunct to their attempt to construct a canal, until 1904, when their stock (68,888 shares) passed to the ownership of the United States as a part of the assets of the New Panama Canal Co. which were purchased for the sum of \$40,000,000, as authorized by the act of Congress approved June 28, 1902. The remaining 1,112 shares were purchased from private owners in 1905 at an average cost of approximately \$140 per share.

6. The act of June 28, 1902, also authorized the President to construct the Panama Canal, through an Isthmian Canal Commission of seven members. By Executive order of May 9, 1904, the President directed that the activities of the Isthmian Canal Commission be carried on under the supervision and direction of the Secretary of War. The same order provided that all members of the Isthmian Canal Commission be elected to the Board of Directors of the Panama Railroad Company and that the policy of the Panama Railroad Company be completely harmonized with the policy of the Government in making it an adjunct to the construction of the Canal, while at the same time fulfilling the purpose for which it was constructed as a route of commercial movement across the Isthmus of Panama. This policy was adopted to conform to the views expressed in the House committee report recommending the passage of the act of June 28, 1902, as follows:

"The successful construction of the Panama Canal demands that the United States shall own and operate the Panama Railroad. In doing this, however, neither its earning capacity nor its efficiency as an artery of commerce should be impaired."

7. Certain appropriated moneys were advanced to the Company during the construction of the Panama Canal for new equipment and improvements and for retiring outstanding first-mortgage bonds, and in return the Company's interest-bearing notes for the moneys advanced were deposited in the Treasury. Partial payments were made on these notes from the Company's revenues, but the act of March 4, 1911 (36 Stat. 1451), directed that the Company should make no further payment on the principal or interest of notes in question, and the act of May 14, 1928 (45 Stat. 532), directed the Treasurer of the United States to cancel these notes and surrender them to the Company. The unpaid principal of the notes aggregated \$3,297,332.11. The suspension of payments on the notes enabled the Company to reduce its charges to the Isthmian Canal Commission for transportation and other services, and effected savings in the cost of constructing

the Canal which materially exceeded the total amount forgiven. Except for appropriations for the purchase of the capital stock and the advances mentioned above, the Panama Railroad Company has received no appropriations since it became the property of the United States.

8. In anticipation of the completion of the Canal, the Panama Canal Act, approved August 24, 1912, authorized the President to discontinue the Isthmian Canal Commission and thereafter to govern and operate the Panama Canal and govern the Canal Zone through a Governor of the Panama Canal to be appointed by the President. Under authority of this act the permanent organization of the Panama Canal was established by the President in Executive order of January 27, 1914, which again provided that the administration of the affairs of the Panama Canal be subject to the supervision of the Secretary of War.

9. In recognition of the great value and advantage to the United States Government and the Panama Canal of having certain business operations related to the Canal conducted by the Railroad because of its greater flexibility as a New York corporation, the Panama Canal Act authorized the President to establish, maintain, and operate, through the Panama Railroad Company, or otherwise, numerous types of business activities related to the Canal. This authority was exercised in many cases, and the conduct of incidental business operations by the Panama Railroad Company has been continued to date with very satisfactory results.

10. The policy of harmonizing the Panama Railroad and Panama Canal operations is made effective by the direct supervision of the Secretary of War, who nominates or approves the 13 directors who administer the affairs of the railroad. The entire capital stock of the Company stands in the name of the Secretary of War, with the exception of the 13 shares which are issued to the directors for qualification purposes but which remain in the custody of the Secretary of War. The Governor and the engineer of maintenance of the Panama Canal are President and Second Vice President, respectively, of the Panama Railroad Company, as well as directors. Of the remaining 11 members of the present Board of Directors, 2 are former Governors of the Panama Canal, 1 is a lieutenant general and 1 a colonel of the Army, and 7 are civilians, including 2 assistants to the Secretary of War, the Chief of the Washington office of the Panama Canal, 2 officials of the Company of long service, the general counsel of the Company, and the vice president of a New York bank.

11. Under the supervision of the Board of Directors selected by the Secretary of War, the Company has paid substantial dividends into the Treasury of the United States and greatly increased the capital assets of the Company, without the assistance of appropriations other than those mentioned in paragraph 7 above. In addition to furnishing railroad and other service to various Government departments and establishments in the Canal Zone at rates much below those provided for in the Company's commercial tariffs, the Company's steamship line carried Government cargo and passengers during the 20 years prior to 1942 (when the steamers were requisitioned for use for direct war purposes) at rates which represent reductions from tariff of more than \$10,000,000. The Company has no bonded indebtedness and does not exercise the borrowing power provided in its charter.

DISCUSSION

12. Unlike most Government corporations, the Panama Railroad Company does not exercise functions which are partly governmental in character in addition to its commercial functions. All governmental functions related to the operation of the Canal are exercised by the Panama Canal, and all of the functions of the Panama Railroad Company are definitely and completely commercial in character. It differs also from most Government corporations in receiving no appropriations and in financing its current operations and necessary capital expansions from its own revenues.

13. The Panama Railroad Company is essentially a service agency for the Panama Canal, the Army, the Navy, and the Republic of Panama, and it is required to adapt its operations without delay to the changing needs of the organizations and interests which it serves. For example, the decision was made some months ago to base in the Canal Zone a large fleet of vessels engaged in traffic of vital importance to the war in the Pacific, and the Panama Railroad Company was required on extremely short notice to assume the responsibility for furnishing food, clothing, and other necessities to those vessels, a task equivalent in magnitude to supplying an additional population of over 15,000 persons and involving considerable increases in both administrative and nonadministrative expenses. Because of the flexibility possible under its present autonomous

organization, the Company was able to accomplish this task without undue difficulty and to the entire satisfaction of the War Shipping Administration. Similar emergency action has been required on numerous occasions in the past, particularly since the beginning of the present war, and other emergencies will arise in the future in connection with the greatly increased traffic which will result from the shifting of the principal theater of war to the Pacific. It is essential that the Company retain sufficient freedom of action to permit it to meet such emergencies in the future as it has in the past.

14. The provisions of the bill which it is believed would unduly hamper the operations of the Panama Railroad Company are the budgetary provisions contained in sections 102, 103, and 104.

15. The nature and magnitude of the Company's operations depend almost entirely upon the general level of activity of the various Government agencies in the Canal Zone and of private and governmental business in the Republic of Panama. That level for agencies of the United States will depend largely upon the action taken on budget estimates submitted simultaneously with the proposed Panama Railroad Company budget. The demands upon the Company by the Republic of Panama will depend upon general world conditions and upon Canal Zone activities, which are reflected in Panama. None of these factors can be anticipated with sufficient accuracy to establish a basis for reasonable budget estimates, either administrative or nonadministrative. As examples of the fluctuations which have occurred from these causes in the past may be cited the operating revenues of the Commissary Division, which varied from \$8,898,000 in 1939 to \$46,948,000 in 1943, and of the railroad proper, which varied from \$1,601,000 in 1939 to \$4,915,000 in 1942. Under these circumstances, any budget estimates submitted by the Panama Railroad Company will necessarily be little better than guesses, and if the Company is held to compliance with such a budget program its operations may be seriously hampered.

16. The second paragraph of section 103 of the bill purports to provide for authorization to cover possible emergency or contingency operations, but restricts operations thereunder to those which have received prior approval by the President. This restriction is more severe than are the restrictions imposed on regular Government agencies, and would largely nullify the benefit of the authorization for use in emergencies.

17. Section 104 of the bill limits expenditures for administrative purposes in any fiscal year to the amounts authorized and made available by Congress for such fiscal year. The bill does not define "administrative expenses," and it is believed that no satisfactory definition applicable to all of the many different types of corporations affected by the bill could be devised. Unless the definition adopted administratively for the Panama Railroad Company takes full account of the nature and fluctuations of the Company's business, the ability of the Company to fulfill its responsibilities will be seriously impaired.

18. Section 104 of the bill also provides, with respect to funds made available by Congress for administrative expenses, that claims and accounts thereunder shall be subject to adjustment and settlement by the General Accounting Office under title III of the Budget and Accounting Act, 1921. It is believed that this provision constitutes an entry into the sphere of administration of corporate activities and consequently invades the legitimate province of the corporation, and that it is not necessary to the proposed policy of Congress as stated in section 2 of the bill. It is my opinion that the audits and reports prescribed by sections 105 and 106 will suffice to disclose any abuses that may occur of the corporation's authority to settle and adjust all claims and accounts, whether they pertain to administrative or nonadministrative expenditures.

19. Summarizing the comments above on sections 102 to 104 of the bill, I believe that the restrictive provisions of these sections may seriously hamper the Panama Railroad Company in the efficient discharge of its important responsibilities, and that it is not in the interest of the Panama Railroad Company, and consequently not in the interest of the Panama Canal, to impose such restrictions.

20. Referring to sections 105 and 106 of the bill, the Panama Railroad Company has no objection whatever to the audit of its accounts by the General Accounting Office "in accordance with the principles and procedures applicable to commercial corporate transactions," which has already been directed by Public Law 4 of the present Congress, approved February 24, 1945. It is noted, however, that section 106 would require the Comptroller General to include in his report of the audit to Congress "recommendations for * * * the payment of such dividends as, in his judgment, should be accomplished." The fixing of the financial policy of a

corporation, including the payment of dividends, is one of the most important functions of management, and this is particularly true in the case of the Panama Railroad Company, whose financial policy must be a very conservative one for the reason that the company receives no appropriations and does not exercise the power to borrow included in its charter. It is submitted that the quoted language of section 106 would tend to substitute the judgment of the Comptroller General for that of the Board of Directors with regard to the financial policy of the company, in view of the weight customarily given by Congress to the recommendations of the Comptroller General. It is believed that in the case of corporations whose affairs are managed by a responsible board of directors, the Comptroller General's recommendations as to the payment of dividends should be made in the first instance to the board of directors, rather than directly to Congress.

CONCLUSIONS

21. The Panama Railroad Company was incorporated nearly 100 years ago as a New York corporation, and for over 40 years has been operated as a Government corporation with conspicuous success and without material criticism actually supportable by facts. Its operations are supervised by the Secretary of War and managed by a Board of Directors who are deeply conscious of their responsibility to the United States, as well as of their personal responsibility as directors under the laws of the State of New York. The activities of the company are highly diverse, and with minor exceptions are indissolubly linked with the field of commercial transport and international maritime commerce, which is not a field well adapted to stringent centralized control by authorities outside the corporation. Since the volume of the company's business depends almost entirely upon factors beyond its control, accurate and reliable budget estimates more than 18 months in advance of the end of the period covered by the estimates are impracticable.

22. The Panama Railroad Company is an essential adjunct to the Panama Canal and has contributed notably to the success of the Canal as a waterway which serves the commerce of the world in peacetime but is devoted largely to the needs of the war effort in wartime. Its subsidiary functions as a service organization for other Government agencies and as a transportation facility serving the needs of the Republic of Panama and the Canal Zone are important at all times, but are particularly so during a national emergency. In order that the Company may efficiently carry on its vital activities, it is essential that it have a high degree of autonomy. This autonomy would, it is feared, be seriously impaired by the enactment of the present legislation.

23. In view of the unique status of the Panama Railroad Company among Government corporations, both historically and functionally, the vital importance of its work, both in peace and in war, its record of successful management in the past, and the location of its principal operations at a great distance from the seat of government, it is believed that ample justification exists for eliminating it from the list of corporations to be affected by the pending bill. It is my recommendation that such action be taken.

24. The Director, Bureau of the Budget, has advised that while there would be no objection to the Department submitting such report on the bill as it may deem appropriate, the enactment of legislation which would accomplish the general objective of H. R. 2177 would be in accord with the program of the President.

Sincerely yours,

(Signed) HENRY L. STIMSON,
Secretary of War.

WAR DEPARTMENT,
Washington, D. C., May 30, 1945.

HON. CARTER MANASCO,
Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives.

DEAR MR. MANASCO: The War Department has given careful consideration to H. R. 2177, Seventy-ninth Congress, a bill to provide for financial control of Government corporations, on which you have requested an expression of its views.

The purpose of the proposed legislation is to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and to provide for their current financial control. This would be accomplished by requiring all "wholly owned Government corporations," as listed in section 101 of the bill, to prepare and submit to the Congress annual budget programs in

substantially the same manner as is now required of the executive departments and establishments. The Bureau of the Budget would also be authorized to prescribe the form, contents, and manner of presentation of such budget programs, which would contain estimates of administrative expenses and necessary borrowing of funds, as well as estimates of the amount of capital funds to be returned to the Treasury of the United States or of any appropriations required to restore capital impairments. The activities of such corporations would be limited to those authorized by Congress in the budget program. Upon the recommendation of the Bureau of the Budget, approved by the President, such corporations could be treated as Government agencies rather than as corporations, if Congress approved such recommendation.

The bill further provides that both wholly owned Government corporations and those of mixed Government and private ownership, as listed in section 201 of the bill, would be audited by the General Accounting Office, in accordance with principles and procedures applicable to commercial corporate transactions, an annual report of such audit thereof to be made to Congress. Various general provisions of the bill relate to banking and checking accounts of Government corporations and other details concerning the conduct of their business.

The War Department is interested in two corporations mentioned in section 101 of the bill, namely; the United States Spruce Production Corporation and the Panama Railroad Company.

The United States Spruce Production Corporation was organized pursuant to the Army Appropriation Act of July 9, 1918, under the laws of the State of Washington. Its affairs, however, have been dormant for a number of years, it has no annual or other budget, and there appears to be no reason for its inclusion in the bill unless the Government should contemplate reviving its activities. The War Department has no such intention.

With respect to the Panama Railroad Company, however, this Department, under date of May 9, 1945, as you know, submitted its report on behalf of that Corporation, in which opposition was expressed to the application of the proposed legislation to the Panama Railroad Company, due to its unusual situation and the nature of its business. For the reasons stated in its report of May 9, 1945, this Department is opposed to subjecting the Panama Railroad Company to the restrictive requirements of the bill. Otherwise the War Department has no objection to enactment of this legislation, and is in accord with its general objectives.

This Department is unable to estimate the fiscal effect of enactment of H. R. 2177.

In connection with the report submitted on behalf of the Panama Railroad Company, the Bureau of the Budget advised that, while there would be no objection to the submission of that unfavorable report, the enactment of legislation, which would accomplish the general objective of H. R. 2177, would be in accord with the program of the President.

Sincerely yours,

(Signed) HENRY L. STIMSON,
Secretary of War.

FEDERAL DEPOSIT INSURANCE CORPORATION,
Washington, May 10, 1945.

HON. CARTER MANASCO,

Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: In accordance with your letter of February 20, 1945, we are pleased to submit the opinion of this Corporation as to the merits of H. R. 2177, a bill to provide for financial control of Government corporations.

We are in accord with one of the chief purposes of the bill, which is to authorize the General Accounting Office to make annual audits of the financial transactions of all Government corporations.

The bill is an omnibus bill applicable to many different Government corporations created for varying social, economic, or political reasons. If the Federal Deposit Insurance Corporation is brought under this bill, which seems to be designed primarily for Government lending agencies, there is danger that it will be subjected to restrictions which are neither necessary nor desirable.

In its present form, the bill would make radical changes in the existing corporate powers of this Corporation which we believe may not be intended. If this Corporation has powers which Congress considers it desirable to recall or change, we believe it preferable to accomplish these changes by amendment of its organic

statute rather than by an omnium gatherum bill. This would assure integration of the Corporation's organic law and avoid the strictures resulting from fitting the Corporation into a pattern not specially designed for its operations.

Under section 101 of the bill, the Federal Deposit Insurance Corporation is designated as a "wholly owned Government corporation." This is the first time it has been so described. The Corporation was expressly characterized as a "mixed ownership corporation" by the Joint Committee of Reduction of Non-essential Federal Expenditures (see committee report on August 1, 1944, S. Doc. No. 227, 78th Cong., at p. 20).¹ The effect of the "wholly owned" classification would be to subject to budgetary and audit control, funds of the Corporation which are nongovernmental in origin and which are dedicated to the protection of depositors of banks which have paid these funds as deposit insurance assessments. To treat the Corporation as a wholly owned Government corporation under the bill would deprive the Corporation of one of the chief advantages of its corporate status, a status which we believe Congress gave it deliberately in order that it might be free from undesirable restrictions and thereby enabled to operate more efficiently.

Sections 102 and 104 of the bill would require the Corporation to prepare annually a budget program covering all operations for the ensuing fiscal year and would prohibit the Corporation from transacting any business except such as was authorized by the Congress as a part of its budget program for such fiscal year. These sections would necessitate estimating expenditures required to settle claims for insured deposits, in closed banks, advances to insured banks to avert losses or reduce the risk of the Corporation and expenditures for protection and administration of assets acquired from insured banks and held for purposes of liquidation. Such requirements are thoroughly unworkable and would have a damaging effect upon public confidence in the banking system. Many banks close because of sudden developments which cannot be anticipated; others because of long-standing problems which neither bank management nor supervising authorities have been able to correct. The time for closing banks of the latter class depends largely upon local conditions and attitudes over which the Corporation has no control. The Corporation would find it virtually impossible to estimate insurance losses to be expected in any year with any degree of accuracy, particularly as these estimates must be prepared a considerable time in advance of the period for which the authorizations would be required. Mortality tables for banks cannot be established.

Bank failures not only vary widely from year to year but are also unpredictable. During the 11 years of operation, deposit insurance disbursements (including expenses of liquidation and payment of insured depositors' claims) have varied from a low of approximately \$1,000,000 in 1934, to a high of \$80,000,000 in 1940 after which they again dropped to \$6,000,000 in 1944. The same variation was experienced in the 70-year period prior to Federal deposit insurance. Although the amount of claims involved annually is not available, the records show a range of annual losses to depositors from bank failures of a low of one-one hundredth of 1 percent to almost nine-tenths of 1 percent of total annual deposits in the entire banking system. The average over the period was one-fourth of 1 percent.

Even if it were possible for the Corporation to forecast with assurance the amount of disbursements required to protect depositors in banks in financial difficulties, it would be highly undesirable to make such estimates public. A budget showing large anticipated disbursements for protecting depositors would be equivalent to a prediction that bank failures are ahead. This would undermine confidence and thereby tend to bring on the very catastrophe which the Federal Deposit Insurance Corporation was established to prevent.

It is unthinkable that the Corporation, which was created to insure deposits and restore confidence in the banking system, should be delayed or prevented from performing its legal obligations by inadequate estimates or budgetary limitations; yet section 104 of the bill would apparently prevent the Corporation from making expenditures in excess of amounts authorized by Congress for any fiscal year. Instead of a permanent insurance plan, the public would view the Corporation as being upon a year-to-year basis and the confidence of the public in its ability to perform would be shaken.

Congress placed the administration of the deposit insurance law with a corporation rather than a Government department because the corporate instrumentality is peculiarly appropriate to a business which is essentially of a banking character. The Corporation was thereby free from undesirable restrictions and enabled to

¹ The General Accounting Office characterizes the Corporation as "partially Government-owned" (see Reference Manual of Government Corporations, General Accounting Office, Planning and Budget Section).

operate in a businesslike manner. The Corporation and the (12) Federal Reserve banks collectively are indispensable factors in our banking system and furnish the chief support for our principal circulating medium. The Government has a financial interest in all of these institutions but it may realize upon it only by liquidation. We note that the Federal Reserve banks are not brought within this bill although the Government's participation in these institutions is considerably greater than its capital investment in this Corporation.² We believe that the reasons for excepting the Federal Reserve banks from the operation of this bill apply with equal force to this Corporation.

The power of the Corporation to carry working balances with Federal Reserve banks or insured banks would be limited by section 302 of the bill which requires all accounts to be kept with the Treasurer of the United States unless otherwise approved by the Secretary of the Treasury. Discretion to exercise this power is now vested by law in the directors of the Corporation. It has been exercised only where necessary to efficient operation. Balances carried by the Corporation outside the Treasury on December 31, 1944, amounted to approximately \$800,000 compared with its balance with the Treasurer of the United States of \$16,000,000. It is necessary that the Corporation have working accounts in various communities in order to have funds available for payment of expenses incurred in these communities in connection with the liquidation of bank assets, the payment of insured depositors' claims, and the collection of funds realized from liquidations. The maintenance of these accounts should be left to the sole administrative discretion of the directors of the Corporation upon whom responsibility rests for operating the Corporation in an efficient manner. To impose upon the directors of the Corporation the necessity of obtaining the approval of the Secretary of the Treasury for maintenance of these accounts would merely divide the administrative responsibility and thereby impair the efficiency of the Corporation.

Under section 107 it is provided that no additional "Government capital or paid-in surplus" shall be subscribed or paid in to any wholly owned Government corporation except pursuant to specific appropriation therefor "hereafter made." (A similar provision is contained in section 204 (a) with respect to mixed ownership Government corporations.) In addition, section 303 (a) of the bill would subject the power of the Corporation to borrow to the prerequisite of Treasury approval despite the fact that its securities do not carry a Government guaranty. Sections 107 and 303 (a) would thus repeal the provisions of section 5e (b) of the Reconstruction Finance Corporation Act, as amended, and the provisions of subsection (c) (2) of section 12B of the Federal Reserve Act, as amended. Under the first-mentioned act the Reconstruction Finance Corporation is directed to purchase at par, up to a maximum of \$250,000,000, such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued by it, "upon request of the Board of Directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said Board additional funds are required for insurance purposes." Under the provisions of the second act, the Secretary of the Treasury is authorized and directed "whenever in the judgment of the Board of Directors of the Corporation additional funds are required for insurance purposes, to purchase obligations of the Corporation in an additional amount of not to exceed \$250,000,000 par value." Both acts provide that the proceeds derived from the sale of such obligations "shall be used by the Corporation solely in carrying out its functions with respect to such insurance." In addition, the Secretary of the Treasury, under the second act, is directed to purchase the amount specified to be purchased by the Reconstruction Finance Corporation if the latter fails to do so and is further authorized to purchase any other securities of the Corporation within its total borrowing power.

In the technical corporate sense the proceeds of the sale of debentures or similar obligations do not constitute capital as they are offset by a corresponding debt liability on the issuing corporation's balance sheet. However, since the purpose of sections 107 and 204 (a) is to prevent the dedication of public funds to Government corporation use, it must be construed as a prohibition against the Secretary of the Treasury or the Reconstruction Finance Corporation subscribing

² The surplus accounts of the Federal Reserve banks as of December 31, 1944, aggregated \$296,000,000, exclusive of \$139,000,000 invested by these banks in the stock of the Federal Deposit Insurance Corporation. Under sec. 7 of the Federal Reserve Act, all surplus must be paid to the U. S. Treasury upon dissolution or liquidation of the Federal Reserve banks. As of December 31, 1944, the assets of the Federal Deposit Insurance Corporation consisted of \$806,000,000 of which \$150,000,000 or 18 percent represented the capital investment of the United States Treasury, \$139,000,000 or 17 percent the capital investment of the Federal Reserve banks, and the balance, or 65 percent of the total, an insurance reserve created from assessments paid by insured banks at the rate of one-twelfth of 1 percent annually on their total deposits and from income derived by the Corporation from its investments.

to the debentures or notes of the Corporation, notwithstanding the express authorizations and directives heretofore enacted by the Congress. If this is the intention, the provisions are definitely objectionable because they unnecessarily and unjustifiably weaken the financial ability of the Corporation to cope with a banking crisis. In a matter involving the delicate relationship which exists between depositors and the banking system, it seems far better to provide in advance for possible crises than to be compelled to hurry to Congress for emergency relief after a crisis has become a fact. If it is not the intention that section 107 and section 204 (a) limit the power of the Treasury and the Reconstruction Finance Corporation to advance further funds under existing legislative authority, insofar as the Corporation is concerned, it is clearly desirable to clarify the language so that "debt" obligations be clearly distinguished from "Government capital or paid-in surplus."

The Corporation's borrowing power, as yet never exercised, is limited by its organic law to three times the sum of its capital plus assessments paid by insured banks for the year 1936. Early critics of the Corporation questioned its ability to market securities which depended for repayment upon the liquidation of distressed bank assets and pointed to this as one of its weaknesses as an insuring agency. Such criticism and speculations tended to undermine the public confidence at the outset of the Corporation's existence. To remedy this, Congress enacted the legislation referred to.

The Secretary of the Treasury undoubtedly would purchase the Corporation's obligations in such amount as might be required if it became necessary for the Corporation to have additional funds to meet a critical banking situation. Hence the Treasury would derive no benefit from this provision. In view of this, a restriction such as that imposed by section 303 (a) of the bill would serve to detract from the present borrowing power of the Corporation and hence weaken its position before the public. Renewed public speculation and doubt as to the extent of the Corporation's power to assist the banking system or protect insured depositors in an emergency might well be the consequence of such a provision.

At the present time the directors of the Corporation would determine, under proper circumstances, the rate of interest, maturities, terms, and form of obligations to be issued by the Corporation, and the Reconstruction Finance Corporation and the Secretary of the Treasury would both be required to purchase such obligations, within the limits prescribed by the aforesaid statutes, whenever in the judgment of the Board of Directors of this Corporation additional funds were required for insurance purposes. Section 303 (a) would change all this by subjecting the security issue privilege to the approval of the Treasury as to form, denomination, maturity, and rate of interest. Moreover, that section adds additional requirements and provides that such securities shall be issued in such manner and at such times and sold at such prices as may be approved by the Secretary of the Treasury. The provision that the securities shall be issued "at such times" as shall be approved by the Treasury clearly nullifies the provisions of existing law that the securities issued by this Corporation shall be purchased "whenever in the judgment of [its] board of directors additional funds are required for insurance purposes."

Nor is it necessary that the Secretary of the Treasury be vested with this control on the theory that the issuance of such securities affects the Government bond market. The Government bond market would not be affected by the issuance of securities of this Corporation, which bear no Government guaranty and which need not, although they may be, sold directly to the Treasury. A public sale of securities by this Corporation would not affect the Government bond market to any greater degree than a large issue of securities by any private corporation. The purpose of the existing law is to guarantee a market for a portion of this Corporation's obligations and in depriving the Corporation of direct access to such "market" and in placing the Treasury in control over the terms, interest rates, and time of sale of such securities as the Corporation might be compelled by circumstances to sell to the public, section 303 (a) changes existing law.

Section 303 (b) of the bill would apparently restrict the present authority of the Corporation to acquire Government securities from distressed insured banks in connection with loans or purchases of assets made for the protection of depositors. It would likewise prevent the Corporation from discharging its contractual responsibilities in the liquidation of such securities as it may already hold or may hereafter acquire from distressed banks. It would also restrict the Corporation's right to sell Government securities when it is acting as receiver of a closed insured bank, with a primary duty to its creditors, by requiring it first to secure the

approval of the Secretary of the Treasury. The restriction against acquiring securities from insured banks would prove a major obstacle to the extension of aid to distressed insured banks.

The provisions of this section also would require the Corporation to obtain the approval of the Secretary of the Treasury whenever it desired to buy or sell United States Government obligations. Under existing law accumulated funds of the Corporation not otherwise employed must be invested in United States Government obligations. As of December 31, 1944, out of total assets of \$806,000,000, \$762,000,000, or 95 percent of this Corporation's assets was invested in United States Government obligations. The effect of these provisions in the bill, therefore, is to vest in the Secretary of the Treasury control over practically all of the Corporation's funds. When read together with the budgetary control proposals, these provisions leave but a bare vestige of authority in the Corporation and change the entire concept of the administration of the Corporation as provided for in its organic law. The directors of this Corporation have a fiduciary duty to perform in administering the Federal deposit insurance law; they act as trustees of the funds collected from insured banks for the protection of their depositors. The manner in which the Corporation's directors exercise their duty of investing its funds in Government securities should not be subjected to the control or approval of the Secretary of the Treasury since to do so divests the directors of authority while continuing their responsibility and invests the Secretary of the Treasury with authority but without concomitant responsibility. Although the directors of the Corporation have always cooperated with and enjoyed the cooperation of the Treasury in the investment of its funds—the Corporation's investment account having been handled in cooperation with the United States Treasury—it seems inappropriate to subject the specially dedicated funds of the Corporation to the control of the Treasury whose primary duty to protect the Government's interest may not always parallel the directors' obligations as to the Corporation's funds. In fact, we understand that all Government corporations have cooperated fully with the Treasury in their security transactions, so that there would appear to be no practical reason for wanting this section at this time.

The provisions of section 304 of the bill would prohibit the Corporation from creating deposit insurance national banks as vehicles for the payment of insured depositors and as instruments for maintaining banking facilities in communities where insured banks close. This section would change the express provisions of the law governing the payment of claims by the Corporation. Under section 12B of the Federal Reserve Act, the Corporation may organize a deposit insurance national bank for paying the deposits of a close insured bank if it finds it is advisable and in the interest of the depositors of the closed bank or the public to do so. These banks operate without capital and without directors, being managed by executive officers designated by the Corporation. They are permitted to do only a demand deposit business, as a service to the community where the bank closes. They may not take deposits in excess of \$5,000 from any depositor unless the deposit insurance national bank is the only bank in the community. The banks are not permitted to make loans and may invest only in Government bonds. If the Corporation deems it desirable it may offer the capital stock of any such bank for sale, giving the stockholders of the closed insured bank preemptive rights. If the bank is properly capitalized, it thereafter operates as any other national bank under the ownership of its stockholders and the management of its own board of directors and officers. If not capitalized within 2 years of the date of its organization, its affairs must be wound up.

The provisions relative to deposit insurance national banks are primarily to protect communities against the loss of banking service; secondarily, to provide a convenient vehicle for the settlement of claims against the Corporation. In case of a series of bank failures, this might become an important method by which the Corporation could minimize its total outlay pending restabilization of the banking system. We do not believe that Congress would wish to prevent the organization of these institutions in cases where the law now authorizes their creation and use.

The provisions of sections 106 and 203 of the bill would authorize the Comptroller General to make recommendations for the return of such Government capital or the payment of such dividends as in his judgment should be accomplished. Although we do not seriously object to authorizing a recommendation of this nature, we think it wise to point out that uncertainty regarding the Corporation's capital would be just another circumstance tending to weaken public confidence in deposit insurance. The directors of the Corporation who are directly responsible to Congress for safely administering the deposit insurance law are

best equipped to advise concerning the adequacy of the Federal deposit insurance fund in relation to its risks. We do not believe that the Comptroller General could do more than transmit to Congress the views of the directors of the Corporation on this subject as he would have no way of evaluating the risks to which the Corporation is exposed or the public reaction to a reduction in capital.

The relationship between the banking system, the depositing public, and the banking supervisory agencies is a delicate relationship and proverbially involves many matters of judgment upon which men may differ. There is no ready yardstick by which to determine when Federal deposit insurance reserves may become higher than necessary. Losses in the past were affected by many contributing factors which are absent under deposit insurance but the extent to which past loss experience should be discounted because of the improved quality of bank supervision and the stabilizing effects of deposit insurance is largely a matter of judgment in the light of experience in bank supervision. Deposits have increased sharply during the war and will probably remain at a high level for many years. Therefore, deposit insurance reserves which would have seemed large 5 years ago, do not seem large today. While the Corporation will be prepared at all times to advise Congress regarding this matter, we believe it would be unwise to inject the judgment of an official having no administrative responsibility for the conduct of the Federal Deposit Insurance Corporation into a matter having such a material bearing upon its successful existence. The Comptroller General's functions with respect to the Federal Deposit Insurance Corporation should be limited to conducting annual audits on the same basis as private accounting firms audit commercial companies and reporting his findings to Congress and the Corporation.

The Corporation is expressly empowered to act as receiver or liquidating agent of State banks and in that capacity is subject to the laws and regulations of the States pertaining to bank liquidations. Insofar as its receivership operations are concerned, it seems quite clear that the Corporation should not be required to submit budgets or to submit to audits or be restricted in the handling of its funds or the sale of securities. These matters would be governed by the provisions of the National Banking Act in the case of national banks, or by State banking laws in cases where the Corporation acts as receiver or liquidator of State banks. In the case of State banks, the law requires approval of the State banking commissioners or State courts as to many of the receiver's acts. It is entirely possible that the limitations imposed by this bill would conflict with the statutory provisions or State banking regulations to which the Corporation would be subject in the case of State banks. The Comptroller of the Currency in the liquidation of national banks has never been made subject to limitations of this character and, there appears to be no reason why the Corporation which now acts as receiver, should be in a different position.

The principle of authorizing the General Accounting Office to conduct audits is approved by the Corporation if it is clearly provided that the Comptroller's functions shall be limited to conducting annual postaudits according to the best approved procedure governing audits of private business concerns. Inasmuch as the Corporation has always disbursed its own funds, and even under the bill must still disburse the larger amount of its annual expenditures, it would appear unwise to subject the Corporation to the provisions of section 104 of the bill under which funds of the Corporation to meet its administrative expenses would be taken out of its control and placed in the hands of the Treasury disbursing officer. The approval of the Comptroller General would then be required before any disbursements of administrative expenses could be made. As to these funds the Comptroller General's function would be much broader than that of auditor. This would bring about divided authority over funds of the Corporation and would place it under the same controls as those governing agencies which are dependent upon appropriated moneys although its funds are not derived from appropriated public funds. As we interpret the bill, it is not proposed that other corporate expenditures be similarly handled. It is very important that the Corporation's control of expenditures for payment of insured depositors' claims, loans or other advances to insured banks, expenses of administering assets pending liquidation, and other so-called nonadministrative expenses, not be placed under dual control. Claims against the Corporation must be settled immediately upon the closing of a bank in order to prevent freezing the money supply of a community. It has been the custom of the Corporation to pay these claims within a few days after a bank closes on the closed bank's premises and the claim agent's decisions with respect to these claims must be final, although they are always reviewed and audited internally for purposes of administrative information and control.

Under provisions of Executive Order 7126, as amended, the Corporation has submitted its administrative budget for annual review and approval by the

Bureau of the Budget since 1935 and recently submitted its administrative budget to Congress for the fiscal year 1946. This action was taken at the request of the Bureau of the Budget. Nevertheless the Directors of the Corporation believe it to be contrary to the best interests of the public for it to be subject to budget control, particularly if it would be limited or prevented from making expenditures in excess of budget estimates as the present bill apparently contemplates. The Corporation has always employed private accounting firms to make complete annual audits of its affairs, the results of which have been published in its annual reports to Congress. This procedure was followed, since the Comptroller General lacked authority to conduct audits of its affairs in view of the express provisions of the organic law governing the Corporation.

The enactment of the Federal deposit insurance law came after a long effort. History shows that many similar bills were offered over a period of years before Congress saw fit to enact this legislation. Essential to the success of the Federal Deposit Insurance Corporation are its ability to operate expeditiously and flexibly, certainty of payment of its claims, and continuing confidence on the part of the public in the safety and adequacy of the insurance fund. Nothing should be done to give the appearance of weakening the Corporation even though the action taken would not have this ultimate effect.

The Corporation is one of three banking agencies which derive funds from assessments upon or dealings with the banking system. None of these agencies are subject to the General Accounting Office as to funds derived from the banking system. Each agency exercises jurisdiction over a selected and segmented field of the banking system. In the exercise of their respective powers a cooperative approach is maintained and each complements the work of the others. The reasons for omitting the other banking agencies from the requirements of this bill respecting budget programs and audit control appear equally applicable to this Corporation.

Unlike many of the lending agencies which would be affected by this bill, the purposes for which and the conditions under which the Corporation may expend its funds are specified in the acts of Congress under which it operates. Reductions in its expenditures could not be accomplished by budget control unless its present responsibility to the banking system and the public should be curtailed. Aside from expenditures for operating facilities and expenses, and the investment of its funds in Government securities, the law specifies that the Corporation may expend its funds only for (a) payment of claims of insured depositors in closed insured banks up to the limit of \$5,000 per depositor; (b) advances to protect insured depositors by way of loans to or purchase of assets from insured banks in aid of mergers where such action will avert a loss or reduce the risk of the Corporation; and (c) advances to facilitate the liquidation of closed banks (sec. 12B of the Federal Reserve Act, subsec. (1) (1), (n) 1, (n) (2), (n) (3), and (n) (4)). The Corporation must have broad discretionary powers in determining whether it will make loans to or purchases from insured banks, as it must evaluate and compare the result of this type of aid with the result to the banking system and to the Corporation of allowing the banks to continue to operate while in unsatisfactory condition or of allowing them to fail. Of course, when an insured bank suspends operations without being able to pay its depositors, the Corporation is legally obligated to pay depositors' insured claims. Rather than to limit the Corporation in the exercise of its powers, it would probably be desirable to give it even broader power and discretion so that its ability to deal in a timely and practical manner with weaknesses in the banking system would be even greater than it is today.

For the foregoing reasons, it is our opinion that this Corporation should not be included in this bill and that any legislation necessary to enable the General Accounting Office to audit its accounts on a commercial audit basis be enacted as a separate amendment to the Federal Deposit Insurance law.

I am advised by the Director of the Bureau of the Budget that there is no objection to the submission of this report.

Very truly yours,

(Signed) LEO T. CROWLEY,
Chairman.

FOREIGN ECONOMIC ADMINISTRATION,
Washington, D. C., April 30, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.:*

In your letter of February 20, 1945, you request my opinion as to the merits of H. R. 2177, a bill to provide for financial control of Government corporations.

Sections 102, 103, and 104 of the proposed bill require that wholly owned Government corporations shall prepare annually a budget program covering all operations for the ensuing fiscal year. The budget programs are to be submitted to the Bureau of the Budget and transmitted by the President to the Congress in the annual budget. Budget programs so transmitted are to be acted upon by the Congress in the same manner, as nearly as practicable, as appropriations are considered and made by the Congress. No wholly owned Government corporation may transact any business nor make expenditures for administrative expenses except such as have been authorized by the Congress as part of its budget program.

Sections 105 and 106 contain provisions for the financial audit of corporations. These provisions are substantially the same as those provided for in Public Law 4, recently enacted by the Seventy-ninth Congress.

Title II of the bill relates to mixed-ownership Government corporations and contains comparable provisions to those found in title I for the financial audit of such corporations.

Title III contains a number of general provisions. One of these is section 304 which provides that no corporation is to be created in the future except by direct congressional action or act of Congress specifically authorizing the creation of such a corporation.

I fully subscribe to the general objective of the bill to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof. However, to achieve this by imposing on all Government corporations budgetary controls which generally obtain in the case of Government agencies, departments, and independent establishments would substantially impair and in some instances destroy the usefulness of the corporate device in Government operations.

A convenient illustration is the U. S. Commercial Company (the designation of this Corporation as the United States Commercial Company in section 101 of the bill is incorrect), one of the corporations of the Foreign Economic Administration.

When the United States began rearming it found that many of the materials it needed were in short supply or unavailable domestically. Time was short and these materials had to be procured as rapidly as possible.

To help meet the procurement problems confronting the Nation, the Congress amended the Reconstruction Finance Corporation Act to authorize in section 5d (3) the creation of corporations "to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President." U. S. Commercial Company was created in accordance with this authority. It has since then become the principal procurement agency abroad for the United States. In this capacity it has procured for our war effort many strategic and critical commodities without which the prosecution of the war would have been seriously impeded.

The success of this program has entailed resort to many kinds of devices and transactions, the need for which could only be determined when procurement programs were initiated and as such programs progressed. Thus, from time to time, contractual help had to be given to importers and producers, capital advances made to develop new sources of supply or to expand existing ones, exploratory geological and botanical expeditions undertaken, engineering and other types of special services furnished to producers. Without such operations, quartz crystals used in radar and radio equipment, abaca, henequen, and other fibers for the Navy, antimalarials and other medicinals, copper, chrome, tungsten, and many metals needed for guns, tanks, and ships, and numerous other materials could never have been obtained in sufficient quantities at the time they were needed.

Procurement of these commodities has been carried out pursuant to directives issued by the War Production Board and the War Food Administration. Although it may be possible under peacetime conditions to predict when and in what quantities commodities will be needed for the economy of the Nation, the demands and fortunes of war preclude such exact forecasts. Recently, for example, many parts of the Philippines were liberated and certain strategic and critical materials, at present in short supply, were made available. U. S. Commercial Company is already procuring these materials. Another recent example is a case where procurement of a certain commodity was halted because there seemed to be sufficient on hand. Suddenly, new needs for substantial quantities of this material developed and the War Production Board issued directives to procure this commodity again. The U. S. Commercial Company immediately initiated procurement. These are but two of many repeated such cases.

I believe that an appropriate test to determine the practicability of the budgetary provisions of the proposed bill is to see, in light of this past history of the U. S. Commercial Company whether, assuming a law similar to the proposed bill had been in existence, it would have been possible for the Company to meet the procurement needs of the Nation as successfully as it has. If such a law had been in existence, the Company would have had to prepare for each of the past several years a budget program covering all operations for the next fiscal year and no business could have been transacted except such as the Congress had authorized.

Admittedly, it would have been feasible to estimate the extent and scope of some procurement programs. In numerous other cases this would have been impossible. Sometimes, although it was known that certain programs would have to be undertaken, it would not have been possible to foretell, before procurement operations had been initiated, the purchasing cost in various countries, what developmental costs would amount to, or what special equipment and services would have to be supplied to producers. Often, the company would have been required to initiate programs which it could not reasonably have anticipated at the start of the fiscal year. The case of the Philippines and the other instance previously cited are examples.

This major and inherent difficulty of H. R. 2177 is recognized in section 103. This section authorizes a request for authority to cover possible emergency or contingent operations, such operations to be initiated only after approval by the President. The experience of the U. S. Commercial Company has amply demonstrated that if the proposed bill had been in effect during the past number of years, a major portion of our operations would have had to have been carried out pursuant to unlimited authorizations under this section. Such resort to this exception would in effect have nullified the budgetary provisions of the legislation.

Another comparatively minor feature of the bill would also have seriously affected the operations of the Company. I refer to section 302 which requires that banking or checking accounts of Government corporations shall be kept with the Treasurer of the United States, or with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a designated depository or fiscal agent of the United States. U. S. Commercial Company is engaged in buying in nearly all parts of the world. It must maintain bank accounts in these many places. This would have been prohibited under section 302.

In my opinion, it would have been impossible for the U. S. Commercial Company to have performed its functions as successfully as it has done if H. R. 2177 had been the law. Only a Government corporation, able to function as a corporation, could have effectively carried out the foreign procurement program made necessary by the war.

Similar considerations apply in the case of Rubber Development Corporation which is engaged in the development and procurement of natural rubber from sources outside the continental United States. Rubber Development Corporation, which is also under the jurisdiction of the Foreign Economic Administration, is submitting a separate and more detailed report to the committee on how the proposed bill would affect it.

The same is true, in varying degrees, of Government corporations other than corporations created to meet the emergencies of war. The Export-Import Bank of Washington, another corporation under the jurisdiction of the Foreign Economic Administration, can well serve as an illustration here.

Although created by executive order, the Congress in 1935 continued the Bank and from time to time further legislated with respect to it. The Bank engages in certain banking operations for the purpose of aiding in financing and facilitating exports and imports and the exchange of commodities between the United States and foreign countries. The transactions it undertakes include credits to exporters

and importers, credits to foreign banks to ease exchange conditions, loans to foreign governments, and the arranging of other credit facilities to promote the foreign trade of the United States.

Conforming to the budgetary requirements of the proposed bill would be wholly incompatible with the proper functioning of the Bank. It would require the Bank to predict the volume and kind of business it will engage in during a fiscal year, to foresee conditions which will determine whether the credits it has extended will be met when due, to forecast what new demands will be placed upon its resources. Specification in the detail required under the bill of anticipated operations would be impossible if the Bank is to operate as a banking institution. Yet, under the proposed bill it would be required to prepare annually a budget program covering all operations for the ensuing fiscal year and it could not transact any business in any fiscal year except such as has been authorized by the Congress as part of its budget program for such fiscal year.

A separate report on the proposed bill is being submitted to the Committee by the Export-Import Bank.

I am convinced after having been closely associated with numerous Government corporations for the past number of years, that the Government corporation performs a useful and vital function. By virtue of its corporate characteristics, it is able to perform necessary governmental functions which could not be successfully carried out by the ordinary Government agency, department, or independent establishment unless such instrumentality were endowed with those characteristics common to the Government corporation. In other instances, the Government corporation is able to operate more efficiently, with greater facility and speed, than the noncorporate Government instrumentality and this, perhaps, accounts for its wide use in times of national emergency, such as war.

The usefulness of the Government corporation will be greatly nullified and perhaps, even destroyed, if the controls applicable to regular departments, agencies and independent establishments are indiscriminately made to apply to all Government corporations. If this is done, the very characteristics of the Government corporation, which make it a desirable instrumentality of Government, will be greatly impaired.

As I stated previously, I wholeheartedly concur in the objective of the proposed legislation. I, thus, believe that section 5 of Public Law 4 of this Congress, which is substantially the same as sections 105 and 106 of the proposed bill, to a great extent attains this objective and I approve of it generally. Coupled with other measures, designed to fit the needs of the particular corporation concerned, Congress should be able to scrutinize annually the transactions and operations of Government corporations and provide for their current financial control. For instance, annual audits of the Export-Import Bank, as provided in Public Law 4, will give the Congress a detailed picture of the financial condition of the bank. Existing law limits the lending authority of the bank. Whenever an increase in the lending authority of the bank is necessary, authorization therefor must be obtained from the Congress, as it has been in the past. This and certain other requirements of law, such as the requirement of Congressional authorization for administrative expenses, have placed in the Congress current financial control of the bank and still permitted the bank to perform its functions efficiently and in a businesslike manner.

Perhaps, in certain instances, additional legislation regarding particular corporations may be desirable and necessary in order for the Congress to attain the objective of the proposed bill. But that may be accomplished, as in the case of the bank, by legislation drawn to fit the particular conditions presented, without impairing the usefulness of the corporate instrumentality.

For the reasons stated I therefore feel that H. R. 2177, as presently drawn, would not promote the interests of the Government and I oppose its enactment.

I understand that a request for a report on the proposed bill has been made from Cargoes, Inc. This Corporation is now in the process of liquidation.

I have been informed by the Bureau of the Budget that it has no objection to the submission of this report, although the Bureau of the Budget is at present of the opinion that the general objectives of the bill, including its budgetary provisions, would not be in conflict with the program of the President.

Sincerely yours,

(Signed) LEO T. CROWLEY, *Administrator.*

EXPORT-IMPORT BANK OF WASHINGTON,
Washington, April 26, 1945.

The Honorable CARTER MANASCO,
House of Representatives.

DEAR MR. MANASCO: In your letter of February 20 you requested the views of the Export-Import Bank of Washington on H. R. 2177 which has been referred to your committee for consideration. Mr. Leo T. Crowley, Foreign Economic Administrator, has furnished you with his views on the bill as it affects the several Government corporations under the supervision of the Foreign Economic Administration, including the Export-Import Bank. As a supplement to Mr. Crowley's letter and for the purpose of serving as the separate report he mentions, the bank respectfully calls the committee's attention to the following points.

With respect to the provision requiring the submission to Congress of a budget estimating the volume and kind of business the bank would engage in during a fiscal year, it should be borne in mind that in the several acts relating to the Export-Import Bank the Congress has already defined the kind of business the bank can do and has set definite limitations on the total of loans the bank can have outstanding at any one time. It is the purpose of the bank to extend such assistance as may be required from time to time in connection with the foreign trade of the United States. The bank does not seek business but considers applications, when submitted, in the light of changing circumstances. It stands ready to supplement private lending facilities and, accordingly, does not consider it feasible to anticipate a lending program in advance of a demonstrated need. As these needs cannot be forecasted accurately, it would be practically impossible for the bank to estimate within its already established limits what demands will be placed upon its resources during any one fiscal year.

Further, section 302 of the proposed bill would have serious effects on the operations of the bank. This section requires Government corporations to keep their banking and checking accounts with the Treasurer of the United States or, with the approval of the Secretary of the Treasury, with a Federal Reserve bank or with a designated depository or fiscal agent of the United States. Inasmuch as the foreign obligations which the bank receives are in the majority of cases payable through the facilities of commercial banks it has been found advisable to maintain accounts in such banks. The interest and principal payments made on such obligations are simply credited to the Export-Import Bank's account with such institutions and, subsequently, a lump-sum transfer is effected to the Treasury where the principal account of the bank is maintained. Generally, the banks in which such accounts are maintained have been designated depository of public funds, although this may not always be the case, especially in connection with temporary convenience accounts in foreign banks.

While the above two points are mentioned in Mr. Crowley's commentary, we would like to emphasize their importance to the Export-Import Bank and express our view that these features of H. R. 2177 as now drawn would not advance the interests of our Government.

Sincerely yours,

(Signed) WAYNE C. TAYLOR, *President.*

RUBBER DEVELOPMENT CORPORATION,
Washington 25, D. C., May 18, 1945.

HON. CARTER MANASCO,
Chairman, Committee on Expenditures in the Executive Departments,
House Office Building, Washington, D. C.

DEAR MR. MANASCO: Reference is made to your letter of February 20, 1945, requesting the views of Rubber Development Corporation as to the merits of H. R. 2177.

Title II of such bill pertaining to "mixed-ownership Government corporations" does not relate to this Corporation, and while title III thereof is applicable, it is not of such nature as to seriously affect its operations, except with regard to the maintenance of banking or checking accounts with the Treasurer of the United States, or with the approval of the Secretary of the Treasury, with the Federal Reserve bank, or with a designated depository or fiscal agent of the United States. Inasmuch as this Corporation's operations extend to South and Central America, Africa, and other parts of the world, it is necessary to maintain bank accounts in the majority of these places.

It is noted that sections 105 and 106 of said bill are substantially identical with subsections (a) and (b) of section 5 of Public Law No. 4 (79th Cong., 1st sess.) being the so-called George bill, which provided for an audit by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General. At the present time the records and accounts of this Corporation are audited by a nationally known accounting firm, and it is assumed that an audit by the General Accounting Office will not entail any substantial change in the practices and procedures now being followed by this Corporation since the bill implies that the audit by the General Accounting Office will be conducted in accordance with the principles and procedures applicable to commercial corporate transactions.

Until the scope and purposes of the bill are explained more fully, it cannot be determined whether the provision contained in section 102 of the bill, requiring the submission of annual budgets to the Bureau of the Budget and the approval or modification thereof by Congress, would unduly impede this Corporation's operations. Accordingly, this office prefers to withhold its final comment on such provision. The same is true of the provision contained in section 104 to the effect that no Government corporation shall transact any business except such business as is authorized by act of Congress as part of its budget program.

Your attention is directed to the fact that Rubber Development Corporation was created entirely as a war measure for the procurement of natural rubber outside the United States from the few remaining available sources. The life and activities of the Corporation are not expected to last beyond the present rubber emergency, with the result that the program probably will have expired before it will be possible to modify the Corporation's procedures in accordance with what appears to be the intention of the proposed legislation.

The existing procedures for the procurement of strategic and critical materials contemplate that the Combined Raw Materials Board and the War Production Board shall determine the quantity of materials to be purchased and the areas from which such materials are to be obtained. When the War Production Board determines, as it has, that natural rubber is the most critical of all strategic materials and that the maximum quantity obtainable is most urgently needed in 1945-46, Rubber Development Corporation must be in a position to act immediately, and to meet any conditions in order to accomplish its clearly defined objective. Governmental processes which may be highly desirable in times of peace but which impede the activities of war agencies are of questionable merit.

Unfortunately, the activities required of Rubber Development Corporation in order to obtain the maximum quantity of natural rubber cannot be predicted with any degree of certainty. Until military operations are more clearly defined, it is impossible to determine the extent to which those rubber producing areas in the Far East which have not been reoccupied will require assistance in financing rubber production, in developing the existing plantations, and in transporting labor, materials, and food supplies. These activities might conceivably exceed in scope and cost the present operations of Rubber Development Corporation. To treat such items as contingencies or emergencies under section 104 of the bill in all probability would defeat the purpose of budgetary control desired by Congress as the amount required for contingencies may exceed those items which could be definitely anticipated.

It might be pointed out further that the operations of this Corporation will be determined not only by the War Production Board and the Combined Raw Materials Board but also by international political decisions relating to the distribution between the various members of the United Nations of the work to be performed in reconquered rubber areas. Rubber Development Corporation cannot forecast what will be the effect of these decisions but must be prepared to carry out any assignment to the United States.

It is understood that the committee will hold hearings and it is requested that this office be permitted to comment further upon the bill when more comprehensive information is available to it.

The Bureau of the Budget advises that it has no objection to the submission of this letter.

Very truly yours,

(Signed) F. W. Utz, *Executive Vice President.*

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE FOR EMERGENCY MANAGEMENT,
OFFICE OF INTER-AMERICAN AFFAIRS,
Washington, D. C., April 6, 1945.

Hon. CARTER MANASCO,
House of Representatives, Washington, D. C.

DEAR MR. MANASCO: I have your letter of February 20, 1945, addressed to the Institute of Inter-American Affairs in which you, as chairman of the House Committee on Expenditures in the Executive Departments, enclosed a copy of H. R. 2177 and requested that the committee be given the benefit of the views of the Institute as to the merits of the bill. This letter was acknowledged on February 27, 1945, by Mr. Kenneth R. Iverson, general counsel of the Institute. He had talked to your secretary and determined that it would be satisfactory to reply in detail later following the conference on problems of war and peace in Mexico, inasmuch as Major General Dunham, president of the Institute, other officials of the corporation, and I were in attendance at the conference.

Subsequently, we received three other letters dated February 20, 1945, addressed to the Inter-American Educational Foundation, Inc., Institute of Inter-American Transportation, and Inter-American Navigation Corporation. The corporations referred to, together with Prencinradio, Inc., for which a letter has not been received, were caused to be created by the Coordinator of Inter-American Affairs for the purpose of assisting in carrying out the Coordinator's program, and for this reason I would like to report the views of this Office on H. R. 2177 as representing those of the corporations named. H. R. 2177 specifically names these five corporations.

First, I would like to say that the Inter-American Navigation Corporation is in the process of being dissolved and that the two projects originally undertaken by Prencinradio, Inc. are now in process of liquidation. The work of the other three corporations is continuing and we feel that it is important that the programs which they are conducting in the other American Republics be carried out to conclusion in the present efficient manner. The activities of these corporations are almost entirely in the other American Republics and are in cooperation with the governments of the other American Republics.

As stated in section 2 of the bill, it is declared to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and to provide current financial control thereof. I believe that this policy is now being carried out insofar as it concerns our corporations as they have kept the Bureau of the Budget and the Appropriations Committees of Congress informed of their activities and have had the accounts audited by the General Accounting Office, as will be pointed out in further detail.

Sections 102 and 103 of the bill require corporations to prepare and submit budget programs to the Bureau of the Budget and the Congress annually, such budget programs to cover all operations for the ensuing fiscal year with comparisons with the current fiscal year and the last completed fiscal year. At the present time the corporations of this Office are preparing and submitting to the Bureau of the Budget and the Appropriations Committees of the Congress, budgets including budget programs on a receipt and expenditure basis, as well as certain budgetary statements on a commitment, authorization, and expenditure basis. (See pp. 168-172 of the War Supplement to the 1945 Budget.) Any additional capitalization required by the corporations of this Office and any additional cash funds needed by them in connection with the payment of commitments under the cooperative agreements of the corporations are included as separate items in the justification which are presented to the Appropriations Committees. In presenting such items relating to corporations, the financial and operational programs of the corporations are set forth.

In all probability more detailed information will be required if H. R. 2177 becomes law, and this is quite satisfactory as the activities of the corporations are those relating to the foreign policy of the United States and all information concerning their operations are available to the Congress and to the President. We have from time to time furnished to Members of the Congress and to the Bureau of the Budget, upon request, information concerning the operations of the corporations and we also make an annual report concerning such operations to the President, as required by the Congress in the acts appropriating funds for this Office. Annual financial reports are also made by the corporations pursuant to the provisions of the Budget-Treasury Regulation No. 2. Copies of the reports prepared under this regulation, which are the same as those which are sent to the President, are furnished to the Treasury Department, the Bureau of the Budget, and the House Appropriations Committee.

There is a question as to the advisability of the last paragraph of section 103 which requires the budget to set forth specifically requests for emergency operations. Also, the next to the last sentence of section 106 raises a question as to what extent corporations will be permitted to deviate from budget programs prepared from 6 to 12 months in advance of the beginning of the fiscal year for which such budget programs are prepared. The intent appears to be to prevent corporations from carrying out any program or making any expenditure, etc., not covered by the budget program. The immediate question is to what extent must the budget program specifically itemize and describe each and every program or undertaking contemplated, which specific programs or undertakings would have to be worked up and described from 6 to 12 months before actual steps would be taken to put them into effect. Also to what extent would leeway be permitted with respect to amounts estimated for such programs and undertakings. It has in the past been very important to the effectiveness of the corporations in carrying out programs advancing the interest of the Government of the United States in the other American Republics to be able, with the loss of a minimum of time, to initiate emergency and other programs not previously contemplated which have been requested or approved by the Department of State.

I have indicated above that the principal activities of the corporations of this Office are carried out in the other American republics and involve programs cooperatively undertaken with the governments of the other American Republics. It is very desirable and important to efficient operations to be able to enter into cooperative agreements with the governments of the other American republics for programs to be conducted for periods of from 2 to 4 years to provide time to enable definite objectives to be accomplished. To be able to do this, the corporations must have funds to meet the commitments both for programs and for the administration of the programs made in the agreements at the time they are executed. Our agreements generally provide funds for a cooperative program such as health and sanitation and, in addition, obligate the corporation to pay the expenses of the technical missions which are to service, so far as the United States is concerned, the technical and administrative phases of the program. Programs involving malaria control, water supply and sewage systems, control of disease, demonstration and training in the effectiveness of United States methods involving health and sanitation problems, as examples, cannot be satisfactorily undertaken and completed within the fiscal year and it is desirable from the standpoint of accomplishment of necessary results to be able to agree to undertake activities over such period of time as will permit our technicians to accomplish a definite program. The governments of the other American republics are able to contract for programs lasting longer than through a particular fiscal year and it is important that we are in a position to do the same when by doing so the work which the United States is doing is benefited.

Inasmuch as the customs, operation methods, and policies of the Latin-American governments and people vary widely from those existing in this country, it is impracticable, if not impossible in a great many instances, for the cooperative agreements to be negotiated and the programs undertaken with the same dispatch as is possible in the United States. In fact, several months are usually necessary to negotiate such an agreement. Placing the program funds of the corporations on a fiscal-year basis would make it imperative, in the case of an agreement being negotiated near the end of a fiscal year, for the element of haste to be injected into the negotiations in order to consummate the agreement before June 30 or for the negotiations to be suspended until the beginning of the new fiscal year. Both the introduction of haste into such matters and the uncertainty of knowing whether new funds will be available during the following fiscal year would seriously adversely affect the programs of the corporations concerned. In this connection, it is pointed out that the budgetary processes followed by this Office in the past in connection with obtaining funds and contract authority for financing the operations of the corporations has been to present the program requirements, including the funds necessary for the salaries and other expenses of field staffs, on a period basis determined by the estimated length of the periods to be covered by the cooperative agreements to be executed or extended for the reasons pointed out above.

If the intent of section 104 is to require corporations to budget expenses and commitments by fiscal years, the success of the cooperative programs carried out by the corporations of this Office would be endangered.

It is not clear whether section 104 of the act would have the effect of restricting cooperative agreements and funds necessary for the salaries and other expenses of field technical staffs to particular fiscal years. If Congress would not appropriate

funds which could be used over a period of several fiscal years, in the case of cooperative agreements, the programs would be seriously handicapped and would lose to a large extent their effectiveness.

The phrase in section 104 which reads: "* * * and no expenditures for administrative expenses in any fiscal year shall be made by any such corporation except in the amounts authorized and made available by Congress for such fiscal year," appears very restrictive and would apparently have the effect of placing the corporations on a fiscal-year basis if this provision applied not only to general administrative expenses of the corporations but also to the salaries and other expenses of personnel directly involved in the carrying out of program operations such as members of the field technical staffs mentioned above. As indicated, because of the operations of the corporations, in the other American Republics and in the establishment of relations with the governments of the other American Republics for programs to be mutually carried out, such restriction would seriously handicap the effectiveness of the programs by the corporations representing the United States. It would be very desirable if Congress would permit the corporations to continue to receive appropriations to be used in carrying out programs approved by Congress over a period of such years as is necessary to accomplish the desired results in the most efficient manner.

Sections 105 and 106 are substantially the same as sections 5 a and b of Public Law 4, Seventy-ninth Congress, approved February 24, 1945, regarding audits by the General Accounting Office. You are informed that this Office in July of 1943 made arrangements with the General Accounting Office for the audit of the accounts of the corporations of this Office, and the audit of the accounts is going on.

With regard to section 302, you are informed that the corporations of this Office have established accounts with the Treasurer of the United States and are using the facilities of the Division of Disbursement, Treasury Department, to the greatest extent possible in disbursing their funds.

With regard to section 303, you are informed that only one of the corporations of this Office has borrowed. The Inter-American Navigation Corporation borrowed money from the Reconstruction Finance Corporation which amount has now been repaid. It is not contemplated that any of the corporations will ever have need to borrow funds in the future. In this connection, it might be well to explain that the corporations of this Office are provided with capital funds either by grant from the Office of Inter-American Affairs or through the purchase of capital stock by the Office. In the latter case, the stock is held in trust for the United States Government.

In summary, it is the belief of this Office that the corporations named above are complying with the basic policy and principles of the bill, but that there are certain aspects of the bill which, if enacted, would seriously handicap the conduct of the programs being conducted by the corporations in the other American republics.

Sincerely yours,

(Signed) WALLACE K. HARRISON,
Director.

NATIONAL HOUSING AGENCY,
Washington 25, D. C., April 20, 1945.

Re H. R. 2177, Seventy-ninth Congress, H. R. 2051, Seventy-ninth Congress, S. 469, Seventy-ninth Congress.

Hon. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR CONGRESSMAN MANASCO: This will supplement my letter of March 5 acknowledging your letters of February 20, directed to several of the agencies administered within the National Housing Agency, requesting a report on H. R. 2177, a bill to provide for financial control of Government corporations, which was introduced by Congressman Whittington on February 14 and referred to the Committee on Expenditures in the Executive Departments.

In accordance with your request, I am sending to you with this letter three copies of our report on H. R. 2177.

As you know, two other bills similar to H. R. 2177 have been introduced during the current session of Seventy-ninth Congress. H. R. 2051 was introduced by

Congressman Case on February 7 and referred to the Committee on Expenditures in the Executive Departments. S. 469 was introduced by Senator Byrd (for himself and Senator Butler) on February 5 and referred to the Committee on Banking and Currency. Our views with respect to these two bills, of course, are identical with those expressed in the attached report on H. R. 2177.

The National Housing Agency is in accord with certain general principles which are apparently intended to be accomplished by the bill. The National Housing Agency now presents to the Congress, annually when its appropriation for administrative expenses is under consideration, a complete operating budget for its corporate activities. Its activities in support of private financing for construction of residential nonfarm housing, and its operation and supervision of the public housing program of the Government in cooperation with local housing authorities in communities throughout the country are audited by the General Accounting Office. It has frequently consulted with representatives of the General Accounting Office as to the propriety of its accounts and procedures.

The Administrator has ever sought to place before the Congress the fullest possible information as to the capital structure and operations of the Agency and its exercise of the powers and discharge of the responsibilities vested in the Agency and in its constituents. The corporate form of the constituents of the Agency has in each case, with the exception of the Defense Homes Corporation (which was transferred from the RFC to the Agency for administration under Executive Order 9070), been accomplished at the direction of the Congress, in order to provide the flexible powers required for effective solution of the problems of providing adequate housing for the nonfarm population of the United States.

I have been advised by the Bureau of the Budget that there would be no objection to the submission of this report.

Sincerely yours,

(Signed) JOHN B. BLANDFORD, Jr., *Administrator.*

NATIONAL HOUSING AGENCY, OFFICE OF THE ADMINISTRATOR

STATEMENT RE S. 469, SEVENTY-NINTH CONGRESS, AND H. R. 2177, SEVENTY-NINTH CONGRESS

S. 469, a bill to provide for financial control of Government corporations, was introduced by Senator Byrd (for himself and Senator Butler) on February 5, 1945, and referred to the Committee on Banking and Currency. H. R. 2177, which is identical with S. 469, was introduced by Representative Whittington on February 14, 1945, and referred to the Committee on Expenditures in the Executive Departments. The bills are based on the additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures, dated August 1, 1944 (S. Doc. No. 227, 78th Cong., 2d sess.). The recommendations contained in said additional report were as follows:

"1. That over-all public control be established promptly with reference to current control by the Congress, the Budget, Treasury, and the General Accounting Office:

"(a) To take form of a business-type budget—a work program for the ensuing year, with comparisons for the year in progress, and for the last completed year—presented to the Bureau of the Budget.

"(b) After review and modification, to be included in the budget for submission to Congress.

"(c) To be acted upon by Congress in a similar manner as to appropriations.

"(d) With provision for control accounts in the Treasury and audit by the General Accounting Office.

"2. That the Comptroller General of the United States be made the auditor and comptroller, ex officio, of each and every Government corporation.

"It would be necessary in carrying out this procedure to make provision for some discretion in executing the programs as authorized.

"And to arrange for the procedure as to audit and settlement by the General Accounting Office, and for the manner of Treasury control."

The provisions of title I apply to wholly owned Government corporations; the provisions of title II apply to mixed-ownership Government corporations; and the provisions of title III apply generally to both types of Government corporations.

TITLE I

The term "wholly owned Government corporation" is defined to include, among others, several of the agencies which are administered within the National Housing Agency, namely: "Federal Public Housing Authority (U. S. Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation."

Sections 102 and 103 appear to be designed to carry out numbers 1 (a), 1 (b), and 1 (c) of the recommendations contained in said additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures. These sections require that a budget program for the ensuing fiscal year, with comparisons with the current fiscal year and last completed fiscal year, be submitted annually by each wholly owned Government corporation to the Bureau of the Budget for consideration and inclusion in the Budget in the same manner, as nearly as practicable, as are the estimates and other information submitted in accordance with the Budget and Accounting Act of 1921. Such budget programs thus submitted to the Congress would then be considered and approved, modified, or prohibited by it in the same manner, as nearly as practicable, as appropriations are considered and made by the Congress.

The Federal Public Housing Authority, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation are required to submit annual estimates of their administrative expenses and obtain from the Congress annual authorizations for the amounts of their funds which may be spent for administrative expenses. Such Budget estimates are included in the Budget (see the Budget for the United States Government for the fiscal year ending June 30, 1946, pp. 187-207). While these corporations are not required to submit annual estimates of their nonadministrative or operational expenses, it is primarily because of the character of their programs and operations and the fact that their long-term programs and operations have been specifically authorized by the Congress and are subject to general congressional review in connection with their annual administrative expense authorizations.

The nonadministrative or operational expenses of these corporations include:

(1) Federal Public Housing Authority—loans, not exceeding \$800,000,000, to local public housing agencies for the development of low-rent housing and slum-clearance projects and annual contributions, not exceeding \$28,000,000 per annum, to such agencies to assist in achieving and maintaining the low-rent character of their projects. It is to be noted that the amounts for annual contributions are appropriated annually by the Congress and are therefore under current control by the Congress (see p. 18 of said additional report of the Joint Committee on the Reduction of Nonessential Federal Expenditures), and that the loan authorization has for all practical purposes been exhausted.

(2) Federal Savings and Loan Insurance Corporation—all necessary expenses in connection with the liquidation of insured institutions.

(3) Home Owners' Loan Corporation—all necessary expenses (including services performed on a force account, contract, or fee basis, but not including other personal services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to the Home Owners' Loan Corporation, or in which it has an interest.

The budgeting of such nonadministrative expenses would involve serious practical difficulties. In the case of the Federal Public Housing Authority it would be extremely difficult to make an accurate estimate as to the amount of loans which may be made during any fiscal year as this depends on factors over which the Authority may exercise no effective control. Such factors include, for example, the number of approvable applications received, the rate of construction progress, the amounts which local public agencies are able to borrow through the sale of their obligations on the open market to purchasers other than the Authority, etc.

With respect to the Federal Public Housing Authority it is also to be noted that sections 102 and 103 would, under the language of section 101, apply to publicly financed projects under its jurisdiction or management, title to which is vested in the United States. Such projects are of three types:

(1) Projects originally constructed by the Housing Division of the Federal Emergency Administration of Public Works and transferred to the Authority;

(2) Nonfarm housing projects originally constructed by the Resettlement Administration or the Farm Security Administration and transferred to the Authority; and

(3) War-housing projects originally constructed by the Authority or by various Federal agencies, including the War and Navy Departments, Federal Works Agency, Maritime Commission, etc., and transferred to the Authority. Funds for the construction of all of these projects were appropriated therefor by the Congress.

With respect to all of these projects, it is apparent that estimates as to the non-administrative expenses which may be incurred in any fiscal year would be of doubtful validity, because in a very large measure they depend upon variable factors, such as the cost of materials and supplies, the rates of taxation of the communities in which the projects are located (since such rates determine the amounts of payments in lieu of taxes), the number of projects which may be sold and disposed of, the number of temporary projects which may be removed, etc.

In the case of projects in category 1, no new projects have been or are to be constructed and practically all of the existing projects have been leased to local public-housing agencies in accordance with the requirements of the United States Housing Act of 1937, as amended. Estimates of the amounts of funds required for administrative expenses of the Authority in connection with these projects in each fiscal year are submitted to the Congress in each year and passed upon in the annual administrative expense authorizations. The same considerations apply generally in the case of projects in category 2.

In the case of projects in category 3, the Congress has appropriated directly the funds for projects already built or now under construction. No new projects are being built except as estimates of the need therefor are presented to the Congress for consideration and the necessary funds therefor are appropriated by the Congress. Also, the administrative expenses of the Authority with respect to these projects are likewise presented to the Congress in each year in connection with its annual administrative expense authorization.

Attention is also called to the fact that estimates of administrative expenses of the Defense Homes Corporation are also submitted to the Congress and passed upon in the annual administrative expense authorization for the Federal Public Housing Authority. (See H. R. 1984, 79th Cong.) No new projects are being or are to be undertaken by the Defense Homes Corporation and the considerations mentioned above with respect to the preparation of accurate estimates of non-administrative expenses in connection with the operation of projects in the three categories described above apply with equal force with respect to the operation of Defense Homes Corporation projects.

In the case of the Federal Savings and Loan Insurance Corporation it is obviously impossible to foresee and predict with any degree of accuracy the number of insured institutions that will go into default in any given fiscal year, or their size, as these matters depend upon changing economic and business conditions in the various localities. It is therefore impossible to estimate with any degree of accuracy the amount of expenses which will have to be incurred in connection with the liquidation of insured institutions in any given fiscal year. If larger amounts were required than had been estimated, it would be necessary to obtain an additional authorization from the Congress. However, the Congress might not be in session, and the interests of the investors and the Insurance Corporation would be placed in jeopardy by reason of the inability of the Insurance Corporation to incur necessary expenditures.

Similarly, in the case of the Home Owners' Loan Corporation, the number of properties which must be acquired by foreclosure or by deed in lieu of foreclosure depends on changing economic and business conditions, and the amount of funds which will be required for the acquisition, protection, operation, maintenance, improvement, and disposition of such properties in any fiscal year cannot be predicted with accuracy. Furthermore, such expenditures as those for taxes and assessments on such properties depend on the rates fixed by State or local authorities and are not in the Corporation's control.

All the properties of the United States Housing Corporation have now been disposed of and the liquidation of the Corporation is expected to be completed during the current fiscal year. Therefore, the United States Housing Corporation probably will not be affected by the bills. It is to be noted, however, that the Corporation has no borrowing power and that its administrative expenses are annually presented to and passed upon by the Congress. The factual statements as to the practical difficulties involved in estimating accurately the nonadministrative expenses of the other corporations covered in this report would, of course, apply with equal validity in the case of similar expenses of the United States Housing Corporation.

In view of these circumstances, it would appear that the provisions of sections 102 and 103 which would change the existing situation with respect to the non-administrative expenses of the corporations covered in this report, while not likely to result in any practical advantages to either the legislative or executive branches of the Government, would cause serious and costly operational difficulties with respect to their administration.

Section 104, which is designed to carry out recommendation No. 1 (d) of said Additional Report of the Joint Committee on Reduction of Nonessential Federal Expenditures, provides for two requirements: First, that no wholly owned Government corporation shall transact any business in any fiscal year except such business as is authorized by act of Congress as a part of its budget program for the fiscal year. Second, that funds made available for the administrative expenses of these corporations may not be obligated or expended until an appropriation account has been established therefor pursuant to an appropriation warrant or covering warrant; that such funds shall be subject to apportionment by the Bureau of the Budget; and that claims and accounts thereunder shall be subject to settlement and adjustment by the General Accounting Office in accordance with the Budget and Accounting Act of 1921, as amended. The first requirement of section 104 appears to go beyond the scope of the recommendations contained in said Additional Report of the Joint Committee on Reduction of Nonessential Federal Expenditures.

The Congress has specifically provided for the establishment and functions of some of the wholly owned Government corporations which would be subject to the requirements of section 104, particularly the Federal Public Housing Authority, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation.

The Federal Public Housing Authority was established as a permanent instrumentality of the Government by the United States Housing Act of 1937, as amended, for the purpose of assisting the States and their political subdivisions in the elimination of slums and the provision of decent, safe and sanitary housing for families of low income. The Federal Savings and Loan Insurance Corporation was established by title IV of the National Housing Act, as amended, as a permanent instrumentality of the Government to insure up to \$5,000 for each investor in each insured institution, as well as the accounts of savers and investors in all Federal savings and loan associations and in such State-chartered savings and loan associations as apply and are found eligible. Likewise, the Home Owners' Loan Corporation was established by the Home Owners' Loan Act of 1933, as amended, and assigned the specific task of assisting distressed home owners and realizing, with the least possible loss to the Government, its investments in the loans made by it for such purposes. The Congress, of course, has the power to abolish any of these corporations or to curtail their statutory powers or functions at any time when it deems such action to be necessary or desirable. Section 104, however, would depart completely from the intent and purpose of the legislation establishing these Corporations and turn them into purely temporary agencies holding only a 1-year authorization to do business unless their substantive authorizations were renewed each year. It is apparent that the provisions of section 104, while resulting in no substantial benefit to the Congress or to the public in the case of these three Corporations, would impose almost insuperable barriers to the efficient administration of these Corporations or the programs which they are executing.

With respect to the second requirement of section 104, it is to be noted that the annual administrative expense appropriations or authorizations for the three Corporations mentioned above require that their administrative expenses be made through appropriation accounts and be accounted for by the General Accounting Office in accordance with the Budget and Accounting Act of 1921, as amended. While section 104 would make permanent these requirements, sections 105 and 106 would go further and would provide for annual audit by the General Accounting Office of their financial transactions, including nonadministrative as well as administrative expenditures, and for a report to Congress of such audit, including a statement as to any program, expenditure, or other financial transaction or undertaking which, in the opinion of the Comptroller General, had been carried on or made without authority of law. This audit would be substantially similar to the audit provided for by section 5 of Public Law 5, Seventy-ninth Congress. Since Public Law 5, Seventy-ninth Congress, covers substantially the same ground, there would appear to be no need for the audit provisions of sections 105 and 106 which apparently are designed to carry out recommendation numbers 1 (d) and 2 of said Additional Report of the Joint Committee on Reduction of Federal Expenditures. Further, in view of the fact that said Public Law 5 would require

General Accounting Office audit of both administrative and nonadministrative expenses, it would seem that the Government would have adequate protection even if the special provisions as to administrative expenses requiring appropriation accounts and settlement and adjustment in accordance with the Budget and Accounting Act of 1921, as amended, were dispensed with.

Section 108 provides that under certain circumstances any wholly owned Government corporation shall be regarded as an establishment other than a corporation for the purposes of the Budget and Accounting Act of 1921, as amended, and other provisions of law relating to appropriations, expenditures, receipts, accounts, and other fiscal matters, and shall not be subject to the provisions of the bills other than section 108. This result would follow from recommendation by the Director of the Bureau of the Budget and approval by Congress in connection with the budget program of such corporation for any fiscal year, in which case the corporation would be so treated with respect to subsequent fiscal years. Section 108 further provides that whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest, he shall include such a recommendation in connection with the Corporation's budget program.

Under section 6 (a) of the United States Housing Act of 1937, as amended, the financial transactions of the Authority (such as the making of loans and annual contributions, and the acquisition, sale, exchange, lease, or other disposition of real and personal property) and vouchers in connection with such financial transactions, while subject to audit by the General Accounting Office, are final and conclusive upon all officers of the Government. This, of course, is essential, because of the character of its operations and, if section 108 was applied to the Authority, serious difficulties would result.

Also, under section 402 (c) (5) of the National Housing Act, as amended, and section 4 (j) of the Home Owners' Loan Act of 1933, as amended, the Insurance Corporation and the Home Owners' Loan Corporation have power to incur necessary expenditures even though the same are not in accord with the restrictive statutes governing the expenditure of public funds. This power is important in order that said corporations may conduct their business operations in a business-like manner and to the best interest of the Government and the public. If section 108 were applied to them, great confusion would be caused on this basic and fundamental point. For example, it might be contended that they could not engage attorneys to render legal advice or to represent them in litigation; that they could not procure necessary supplies through business channels and through regular business procedures; and that in other ways they would be forced to follow Government practices which are well suited to regular Government operations but which are ill adapted to the efficient and economical administration of the operations of these corporations.

Section 108 therefore appears to be contrary to sound principles.

TITLE II

Section 202 provides for audits by the General Accounting Office of the financial transactions of "mixed ownership" Government corporations defined to include, among others, the Federal home-loan banks. Except for the requirements as to appropriation accounts for administrative expenses and for settlement and adjustment of administrative expenses in accordance with the Budget and Accounting Act of 1921, as amended, such audits and reports would be similar to those required under title I with respect to wholly owned Government corporations. If the Government capital was withdrawn from a particular "mixed ownership" corporation, such corporation would not be subject to these audit requirements while it remained without Government capital.

In connection with this provision, it may be helpful to recall that the Federal home-loan banks were established with a minimum capital of \$134,000,000, of which the Secretary of the Treasury subscribed for \$124,741,000, or 93 percent, on behalf of the United States, the remaining \$9,259,000, or 7 percent, being subscribed for by institutions seeking membership. During the year 1941 the Reconstruction Finance Corporation, pursuant to statutory authority, purchased the \$124,741,000 of Government stock. At June 30, 1944, the paid-in capital stock of the Federal home-loan banks amounted to \$185,976,350, of which the \$124,741,000 held by the Reconstruction Finance Corporation constituted 67 percent and the \$61,235,350 held by member institutions constituted 33 percent. Reserves and surplus of the banks amounted to \$17,502,269 at the same date. All stock shares in dividend distributions without preference.

The statute provides that after the amounts of capital of a Federal home-loan bank paid in by members equals the amount paid in by the Secretary of the Treasury, such bank shall apply annually to the retirement of the Government stock 50 percent of all sums thereafter paid in as capital until all Government stock is retired at par. Government stock may at any time, in the discretion of the Federal home-loan bank, and with the approval of the Federal Home Loan Bank Administration be paid off at par and retired in whole or in part, and the Administration may at any time require such stock to be paid off at par and retired in whole or in part if, in its opinion, the particular bank has resources available therefor.

Each Federal home-loan bank is examined semiannually by the Federal Home Loan Bank Administration in accordance with section 20 of the Federal Home Loan Bank Act. Examinations are rigorous and searching, and include detailed audit of all disbursements, checking into depositaries of all receipts, and detailed verification of all income accruals and collections. Requirements and procedures with respect to accounting and auditing of the banks are discussed at pages 88 and 89 of Part I of Senate Document No. 172, Seventy-sixth Congress, third session. A detailed financial report with respect to the Federal home-loan banks is prepared and submitted annually by the Federal Home Loan Bank Administration in accordance with Budget-Treasury Regulation No. 2, issued under Executive Order No. 8512 as amended by Executive Order No. 9084. Also, information on the operations of the banks is furnished to Congress annually in the annual reports of the Federal Home Loan Bank Administration.

It is not apparent how the inquiry into the financial affairs of the Federal home-loan banks under section 202 could be made more thorough than under the existing system. It is to be remembered that the examinations and audits now being conducted are independent examinations and audits made by the Federal Home Loan Bank Administration, which has the statutory function of supervising the banks. Since the existing statutory requirements would not be abrogated by these bills, the effect of the present provisions of section 202 would merely be to require a partial duplication of what is now being done, with the result that there would be increased expense without corresponding benefit. At the same time, it would be impracticable to abolish the examinations and audits by the Federal Home Loan Bank Administration and substitute audits by the General Accounting Office therefor, since the examinations and audits by the Federal Home Loan Bank Administration include operating and supervisory information which is essential to the performance of the supervisory functions of the Bank Administration.

TITLE III

Section 302 would require that the banking or checking accounts of the Federal Public Housing Authority, the Defense Homes Corporation, the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, and the Federal home loan banks be kept "with the Treasurer of the United States, or, with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a designated depository or fiscal agent of the United States."

This provision would probably not cause any serious difficulty in the operations of the Federal Public Housing Authority, the Defense Homes Corporation, the Federal Savings and Loan Insurance Corporation, or the Home Owners' Loan Corporation, since the funds of these corporations are normally kept with the Treasurer of the United States. It is not clear whether the requirement of approval by the Secretary of the Treasury is confined to the use of Federal Reserve banks or extends also to the use of designated depositories or fiscal agents of the United States. However, even if such approval were required in both cases it seems probable that the Secretary of the Treasury would not deny reasonable requests for permission to keep incidental funds in commercial banks which were designated depositories of the United States.

At present, the regulations applicable to the Federal home-loan banks provide that each Federal home-loan bank shall maintain a checking account with the Treasurer of the United States and that the board of directors of each bank shall designate such further depositories as the convenient operation of the bank shall require, it being further provided that such depositories shall be members of the Federal Reserve System or of the Federal Deposit Insurance Corporation and that the amount carried in depositories other than the Treasurer of the United States shall not exceed the deposits of members and the amount paid in by members on account of subscriptions to capital stock. Since all banks which are members of the Federal Reserve System are insured by the Federal Deposit Insurance Corporation the effect of this regulation is that all depositories of the Federal

home-loan banks, other than the Treasurer of the United States, must be banks which are insured by the Federal Deposit Insurance Corporation.

As has been stated above, it is not clear whether the requirement of section 302 of approval by the Secretary of the Treasury is confined to the use of Federal Reserve banks or extends also to the use of designated depositories or fiscal agents of the United States, but it seems probable that even if such approval were required in both cases the Secretary of the Treasury would not deny reasonable requests to keep incidental funds in commercial banks constituting designated depositories or fiscal agents of the United States. However, the Federal Home Loan Bank Act contains provisions for interbank deposits by one Federal home-loan bank with another Federal home-loan bank. If such interbank deposits were regarded as "banking or checking accounts" within the meaning of said section 302, it would be necessary that a Federal home-loan bank be designated depository or fiscal agent of the United States before it could receive an interbank deposit from another Federal home-loan bank. Such designation would be possible under existing law, and it is not anticipated that difficulty would be caused by this provision of section 302, if, as seems probable, the Secretary of the Treasury would cooperate in the matter.

No serious practical difficulty, therefore, would be likely to arise from the provisions of section 302, though no real need for these provisions is apparent.

Section 303 (a) would require that the Federal Public Housing Authority, the Defense Homes Corporation, the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, and the Federal home-loan banks obtain the approval of the Secretary of the Treasury as to the forms, denominations, maturities, interest rates, terms and conditions, issuance, and sale prices of any bonds, notes, debentures, and other similar obligations issued by them. Subsection (c) of section 303 would authorize the Secretary of the Treasury to exercise any of the functions vested in him by said section through any officer or employee of any agency whom he may designate for such purpose.

Requirements of approval by the Secretary of the Treasury are already imposed by existing statute in the case of bonds of the Federal Public Housing Authority and the Home Owners' Loan Corporation; however, it is to be noted that bonds which these corporations may issue are, by statute, fully guaranteed as to principal and interest by the United States.

With respect to the Insurance Corporation, it is to be noted that such obligations are of two classes. First, in the event of a default by an insured institution the Insurance Corporation is required by section 405 (b) of the National Housing Act to make available to each insured member, on surrender and transfer to the Corporation of his insured account, either (1) a new insured account in an insured institution not in default, in an amount equal to the insured account so transferred, or (2) at the option of the insured member, the amount of his account which is insured, as follows: Not to exceed 10 percent in cash, and 50 percent of the remainder within 1 year, and the balance within 3 years from the date of default, in negotiable non-interest-bearing debentures of the Corporation. Second, section 402 (d) of the National Housing Act confers on the Insurance Corporation general power, for the purposes of title IV of said act, to borrow money and to issue notes, bonds, debentures, or other such obligations. None of this second type have as yet been issued, and only a small amount of the first type. In neither case does the statute require approval by the Secretary of the Treasury; however, in neither case are the debentures or other obligations guaranteed by the United States as to principal or interest. Obligations issued by the Defense Homes Corporation, also, are not guaranteed by the United States as to principal or interest. No substantial reason is perceived why there should be a statutory requirement of approval by the Secretary of the Treasury where the obligations to be issued are not so guaranteed.

Under the statute, obligations of the Federal home-loan banks are of two classes. First, each bank has power, subject to rules and regulations prescribed by the Federal Home Loan Bank Administration, to borrow money and give security therefor and to pay interest thereon, and to issue debentures, bonds, or other obligations upon such terms and conditions as the Administration may approve. Second, it may issue consolidated Federal home loan bank debentures which shall be the joint and several obligations of all the banks, subject to certain limitations, and when no debentures are outstanding, or in order to refund all outstanding consolidated debentures, it may issue consolidated Federal home loan bank bonds, which shall likewise be the joint and several obligations of all the banks and shall be secured and be issued upon such terms as the Administration may prescribe. Of these obligations, only consolidated debentures have as yet been issued.

None of these obligations are guaranteed by the United States as to principal or interest. While it is now the general practice to obtain informal clearance from the Treasury before issuing such obligations, no substantial reason is apparent why there should be a statutory requirement of such approval, in view of the fact that there is no Government guaranty of interest or principal. It is to be noted that there would be a question as to whether consolidated Federal home-loan bank bonds or debentures would be covered by the present provisions of the bill, since they are to be issued by the Federal Home Loan Bank Administration.

Section 303 (b) would require the Federal Public Housing Authority, the Defense Homes Corporation, the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, and any Federal home-loan bank to obtain the approval of the Secretary of the Treasury when purchasing or selling any direct obligation of the United States or any obligation guaranteed by the United States as to principal or interest. In the consideration of this provision, it is to be noted that large amounts of Government obligations are held by banks, insurance companies, and other private interests. Unless similar restrictions were applied to such holdings, the proposed control would be only partial. At the same time, the present provision would seem to impose a serious administrative burden both on the corporations affected and on the Treasury, applying, as it would whether the amount of securities purchased or sold was large or small. It would appear questionable, therefore, whether the provisions of section 303 (b) are desirable.

STATEMENT OF H. A. MULLIGAN, DIRECTOR AND TREASURER OF THE RECONSTRUCTION FINANCE CORPORATION, ON COMMITTEE PRINT NO. 1 OF THE BILL H. R. 2177, BEFORE THE HOUSE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

We appreciate the opportunity of appearing before this committee to express our views on the bill, H. R. 2177, as it has been revised in the Committee Print No. 1, dated May 25, 1945. Our remarks are confined to a statement as to the manner in which we believe the bill will affect the operations of the Reconstruction Finance Corporation and its eight subsidiaries—Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, Rubber Reserve Company, War Damage Corporation, Federal National Mortgage Association, the RFC Mortgage Company and Disaster Loan Corporation.

Defense Plant Corporation was created for the purpose primarily of building plants and facilities, and acquiring machinery and other equipment required in the war effort.

Defense Supplies Corporation is engaged in producing, acquiring, storing, and marketing strategic and critical materials, primarily those other than metals and minerals, and performing other functions to expedite and further the war program.

Metals Reserve Company is engaged in producing, acquiring, storing, and marketing strategic and critical materials (primarily metals and minerals) necessary in the war program.

Rubber Reserve Company is engaged in the purchase of natural rubber imported into the United States, in purchasing, warehousing and storing scrap rubber, in producing synthetic rubber, and in distributing the national supply of all kinds of rubber.

War Damage Corporation was created for the purpose of providing through insurance, reinsurance, or otherwise reasonable protection against loss of or damage to property which may result from enemy attack, including any action taken by the military, naval, or air forces of the United States in resisting enemy attack.

Federal National Mortgage Association was organized pursuant to the provisions of title III of the National Housing Act, as amended, to provide a ready market for insured mortgages and operates within the limitations and restrictions imposed by that act.

The RFC Mortgage Company was organized under the laws of Maryland. The RFC, with the approval of the President, subscribed to the capital stock of this Corporation, the purpose of which is to aid in the maintenance of a market for sound mortgages on urban, income-producing properties when credit is not otherwise available at reasonable rates and terms, and to aid in the maintenance of a sound market for mortgages insured under provisions of the National Housing Act.

Disaster Loan Corporation was created by Congress to provide loans made necessary by floods or other catastrophes occurring during the period between January 1, 1936, and January 22, 1947.

The bill presently being considered by this committee includes certain provisions relating to (1) audit control by the General Accounting Office, (2) financial control by the Treasury Department, (3) the reincorporation by act of Congress of Government-owned State-chartered corporations, and (4) budget control by the Bureau of the Budget.

Audit control.—The RFC, as has been stated in its report to the committee, has no objection to the auditing provisions of the bill. We are informed that the committee has already incorporated into the record the RFC report which enclosed an exchange of correspondence between the Honorable Jesse H. Jones and the Honorable Lindsay C. Warren. That correspondence explains the manner in which the RFC has heretofore been audited and incorporates a plan for a post-audit of the Corporation's transactions in accordance with generally accepted practices and procedures applied by the public-accounting profession in audits of commercial, industrial, and banking institutions. We assume that the post-audit contemplated by the bill is substantially of the same character not only as that therein referred to but also the audit contemplated by Public Law 4, the so-called George bill.

Financial controls.—The RFC has no objection to the financial controls by the Treasury Department provided in sections 302 and 303.

Federal charters.—Section 304 would require State-chartered corporations to be dissolved prior to June 30, 1948, although steps may be taken to reincorporate by act of Congress. The RFC has no objection to that provision.

Budget control.—The provisions of the bill relating to an annual budget have been, we are informed, the most controversial insofar as the testimony, both before this committee and the Senate committee, is concerned. We should like to state briefly the position of the RFC with respect to these provisions. We agree with the principle that Congress should have an opportunity to scrutinize and pass upon from year to year the activities of Government corporations, and we are in accord with the objective of the sponsors of this bill which, as we understand it, is to bring all Government corporations within the framework of a system of budgetary control.

The witnesses who have appeared before this committee in behalf of the various corporations affected by the bill have emphasized the necessity for preserving flexibility in the operations of the corporate form of Government instrumentality. The activities of the RFC and its subsidiaries are certainly as diversified and complex as those of the corporations which have testified to date, and it is not our intention to weary the committee with a long enumeration of such activities, the only purpose of which would be to show the necessity for preserving flexibility in operations if we are successfully to carry out our legally authorized functions. However, for the convenience and information of the committee, we are submitting a digest of the loan and investment powers of the RFC, as distinguished from its subsidiaries, which the committee may wish to insert in the record. We believe that the committee recognizes the need for and has earnestly endeavored to provide flexibility in this bill so as not to interfere with the performance of the functions of these corporations as set forth in various statutory enactments.

We have carefully studied sections 102 and 103, which provide for budgetary control, and the statements made by members of this committee and witnesses in an effort to determine the form of budget which will be required. It may be recalled that in our report to this committee we stated that we would prefer not to comment on the budget provisions of the bill inasmuch as we were unable to ascertain just what those provisions mean, nor how they are intended to apply in practice. To date these questions have not been answered except in the most general way and we are forced to the conclusion that it will be extremely difficult, if not impossible, to set out definitively the procedures and the judgments which will be required in actual operation.

We wish to be perfectly candid, therefore, as to our conclusions with respect to these provisions of the bill. In the last analysis they give to the Bureau of the Budget final authority insofar as decisions in the executive branch of the Government are concerned over the annual budget programs of the corporations as they will be presented to the Congress.

The Director of the Bureau of the Budget in his testimony before this committee stated that "budget control means different things to different people, depending upon their experience." It seems clear, therefore, that the decisions of the Bureau of the Budget under the bill will be controlling in the determination of what a "business type" budget or plan of operation is, and we are doubtful that language can be devised in the bill which will successfully resolve all problems arising out of differences in judgment. Nevertheless, we believe that Congress is entitled

to and should exercise direct control over its agencies, including the RFC and its subsidiaries.

In this connection we perhaps should state that, in much the same manner as other corporations, the RFC, as distinguished from its subsidiaries, is required by law to make certain monthly and quarterly reports to the President and to Congress. Statements of condition of all corporations are incorporated quarterly in the Treasury Daily Statement, and there is included in the Annual Budget of the United States, which is transmitted to the Congress, an estimate of the cash receipts and expenditures of the RFC and its subsidiaries. Also, we are, of course, controlled by the limitation on the general borrowing authority of the Corporation with specific limitations as to the amount which may be used for certain purposes. On each occasion when legislation involving borrowing authority of the RFC, as well as other legislation, has been before the Congress, committees of both the House and Senate reviewed thoroughly the activities of the Corporation and passed upon the necessity for the legislation.

The budget provisions of this bill are designed to provide another form of control and, as we see it, if enacted in their present form, would require the annual submission of certain information to the Congress through the Bureau of the Budget in such form and detail as the Bureau may prescribe.

The provisions, in addition, evidence an intention on the part of Congress by subsequent legislation and on the basis of the data submitted through the Bureau of the Budget to impose, with respect to each corporation subject to the bill, some type of control on a fiscal-year basis beginning July 1, 1946.

We are perfectly willing to undertake to the best of our ability to comply with the present budget provisions of the bill, if enacted. When the time comes for decisions as to (1) those of our activities which should be limited by law on a fiscal-year basis, and (2) the type of limitation which is to be imposed, we shall present both to the Bureau and to whatever committee of Congress the legislation is referred, full information regarding the possible effect of such limitations. This, as we see it, is as far as our responsibility goes, except, of course, to adhere rigidly to whatever limitations the Congress may see fit to impose on us.

RECONSTRUCTION FINANCE CORPORATION,
Washington, April 20, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House Office Building, Washington, D. C.*

DEAR MR. MANASCO: You have requested, by separate letters, all dated February 20, 1945, reports from the following corporations: Reconstruction Finance Corporation, Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, Rubber Reserve Company, War Damage Corporation, Federal National Mortgage Association, the RFC Mortgage Company, and Disaster Loan Corporation, on H. R. 2177, a bill to provide for financial control of Government corporations.

The following represents the views of the corporations enumerated above.

Title I of the bill, relating to wholly owned Government corporations, provides in part for a post-audit by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions, and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In this connection for the information of the committee, I am enclosing an exchange of correspondence between the Honorable Jesse H. Jones and the Honorable Lindsey C. Warren, Comptroller General of the United States, which explains the manner in which the Reconstruction Finance Corporation is audited at the present time, and incorporates a plan for a post-audit of the Corporation's transactions in accordance with generally accepted practices and procedures applied by the public-accounting profession in audits of commercial, industrial, and banking institutions. It is assumed that the post-audit contemplated by the bill is substantially of the same character as that referred to in this exchange of correspondence, and we would interpose no objection to such a statutory requirement.

However, we prefer not to comment at this time on the provisions of title I, relating to the annual budget program, nor on the provisions of title III, relating to the purchase and sale of Government obligations, inasmuch as we have been unable to ascertain just what these provisions mean, nor how they are intended to apply in practice.

At the time of the introduction of the bill the operations and procedures contemplated under these provisions were not fully explained, nor have we to date secured information which provides us with more than a general comprehension of what is thereby intended. We assume that the committee will hold hearings which will develop these aspects of the bill more in detail. We will, of course, then be in position to present our views as to the merits of these particular provisions.

Sincerely yours,

(Signed) CHARLES B. HENDERSON.

SMALLER WAR PLANTS CORPORATION,
Washington, D. C., March 27, 1945.

HON. CARTER MANASCO,
*Chairman on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

DEAR CARTER: You want our views on H. R. 2177, introduced by Mr. Whittington. The bill provides for financial control of Government corporations and for supervisory or auditing duties by General Accounting Office. I am generally in favor of the objectives of the bill.

This practice and procedure, as proposed in the bill, is already followed, in its main outlines, by Smaller War Plants Corporation. Its conformity is predicated on existing statutory provisions or on voluntary arrangements made by it with the General Accounting Office.

Whether such practice and procedure should be made completely mandatory is still a question. I am not sure that Government corporations should lose entirely the freedom of action for which they were created.

In any event, I do suggest that the cost of the proposed General Accounting Office audit be borne by each corporation itself, and not by the General Accounting Office, as proposed in section 301. This will permit each corporation to have some measure of control over the audit, and obviate possible intrusions upon matters of its own general policies.

Sincerely yours,

(Signed) MAURY MAVERICK,
Chairman and General Manager.

TENNESSEE VALLEY ASSOCIATED COOPERATIVES, INC.,
Waynesville, N. C., May 16, 1945.

COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
House of Representatives, Washington, D. C.

GENTLEMEN: Replying to your letter of April 25 regarding H. R. 2177, in which you asked for data concerning the Tennessee Valley Associated Cooperatives, Inc., we are pleased to submit the following:

The TVAC has as one of its basic objectives the improvement of the economic welfare of the lower income families of an area which has one of the lowest average family incomes of any section of the United States of America. A study of districts typical of the entire southern Appalachian region indicates that the average annual value per farm of farm products used was \$338 and that the average of those sold or traded was \$121. This study also showed that the average annual expenditures per farm for labor, seed, fertilizer, taxes, and machinery totaled \$48 and that farm operators worked off the farm an average of only 14 days per year.

These figures are further amplified by the fact that of all the farms in the southern Appalachian region (approximately 113,000) about 30 percent of the total had an annual income from farm products sold, traded, and used by the farmer of less than \$400 per year. It is probably well known by your committee the condition of this region during the low point of the depression—or from 1932 to 1936. A large percent of farm families were on direct relief.

Since the funds granted to TVAC came from the Federal emergency relief through the Relief Department of Tennessee, some people originally connected with the organization felt the money should be spent quickly—or, in other words, used for relief of an immediate nature; however, others felt that it would better be used as a revolving fund for the purpose of assisting cooperative enterprise in

the Valley and allowing small farmers and laborers an opportunity to work out some of their own problems. Therefore, a group of cooperative enterprises were set up and partially financed through funds by TVAC. The result to date has been quite gratifying. These organizations were developed in 1934, and of course during that season did very little business; but all of them were organized ready to do business during the season of 1935. During that year the entire group of cooperatives did a business of \$274,803.13. Since that time their business has grown steadily each year, and in 1944 the entire group did a business of \$967,681.42.

To explain further the functions of this corporation, we are enclosing a copy of the certificate of incorporation and bylaws (as amended) and make the following remarks relative to the various sections of the proposed bill as they may pertain to this corporation:

Section 101: TVAC is a wholly owned Government corporation in that the entire capital stock is owned by the United States of America. This came about through agreement when the corporation was formed to administer an outright grant from the Federal Relief Administration. No further grants nor appropriations have been made, nor have any been asked for or expected.

Section 102: The submission of budgets, as applied to this corporation, would not be practical since our affiliates are largely agricultural corporations and it would be difficult for them to give any accurate idea as to the amount of funds needed, due to the fluctuation of crops.

Section 103: As mentioned above, no additional Government funds have been, or will be, sought. Neither have they attempted to borrow in any way provided in the certificate of incorporation.

Section 104: The administration of TVAC is administered through the Land o' the Sky Mutual Association, Inc., which is a regional cooperative. The manager of Land O' the Sky Mutual Association was appointed the Administrator of TVAC, and the corporation has been paid the sum of \$2,000 per annum for administering the funds of TVAC, doing its accounting and general managing. Since the Administrator and other employees are filling dual positions, the cost to TVAC has been held down to a minimum. The only other expense that TVAC has is the traveling expense of its board of directors when they attend board meetings.

Section 105: Periodical auditing by the General Accounting Office would be welcomed by the administration of TVAC; but considering the fact that there are few changes in the statement of the corporation from year to year, such audits would simply increase the expense, as now statements are made quarterly to the Treasury Department of the United States Government. It has been the practice of TVAC to keep a larger portion of its funds working for the benefit of the organizations which it has sponsored. Its income is composed of interest on loans. Its cash is, therefore, kept at a minimum, a small reserve being held with which to assist any of the sponsored cooperatives in event of emergency.

Section 106 (see sec. 105).

Section 107: Under this section no additional Government capital or paid-in surplus has been, or will be, requested under the present administration.

We trust that the above explanations will help your committee in deciding the best procedure for administering the affairs of this wholly owned Government corporation.

Respectfully submitted.

(Signed) JOHN E. BARR,
Administrator, Tennessee Valley Associated Cooperatives, Inc.

TENNESSEE VALLEY AUTHORITY,
Knoxville, Tenn., March 9, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

DEAR CONGRESSMAN MANASCO: This will acknowledge receipt of your letter of February 20, 1945, in which you request our opinion as to the merits of H. R. 2177, entitled "A bill to provide for the financial control of Government corporations." We assume that your request is limited to our views on the merits of this proposal as it would apply to the operations of the TVA, and this reply is directed solely to that question.

Careful analysis of the bill leads us to urge that the Tennessee Valley Authority be exempted from its provisions for three reasons, namely, that the TVA is not the type of agency which the bill is intended to cover; that the objectives of the bill are already served by special policies and procedures adapted to TVA's needs; and that the provisions of the bill would seriously and adversely affect TVA operations. Our reasons for reaching these conclusions are explained below.

The TVA is not the type of agency which the bill is intended to cover

The general purpose of the bill, as stated in section 2, is to provide the Congress with an opportunity to review the operations of Government corporations at least once each year and to provide for budget control and auditing for all such corporations.

The background of this proposal makes it clear that some such legislation is regarded as necessary to obtain more effective control of the various lending agencies of the Government and other corporations which have been financed by Government contributions to capital and not by appropriated funds. The Congress apparently has had no effective means of reviewing the policies or practices of these agencies, and in many cases the accounts of such agencies have been subject neither to settlement and adjustment nor to audit by the General Accounting Office. It seems apparent, both from the legislative history and from the substantive provisions of the bill, that it is these considerations that have led to its introduction.

None of those considerations are applicable to the Tennessee Valley Authority. The TVA is not a lending agency in any sense of the term. Section 12a of the Tennessee Valley Authority Act conferred upon the TVA a limited power to make loans to cities, counties, municipalities, and nonprofit organizations for the purpose of enabling them to acquire, improve, and operate electric properties, but this power expired by its terms on August 30, 1940.

By sections 15 and 15a of the Tennessee Valley Authority Act, the TVA was authorized to issue bonds in the amount of \$100,000,000, but this authorization was repealed by the act of July 26, 1939 (53 Stat. 1083). In the latter act the TVA was authorized to issue bonds in limited amounts for certain specific purposes, but this authority expired on January 1, 1941, except for the power to issue \$5,000,000 in bonds for refunding purposes only.

The TVA has no capital stock or stated capital. It is financed by annual appropriations made through the regular appropriation procedures and by revenues derived by the TVA, principally from the sale of electric power.

The objectives of the bill, so far as they relate to the TVA, are already served by special policies and procedures adapted to TVA's particular needs

Congress and the President review TVA activities annually through appropriation procedures.

The TVA's annual requests for appropriations go through the same procedure that is applied to all of the regular departments and establishments of the Government. Each year the budget estimates are submitted to and reviewed and analyzed by the Bureau of the Budget under procedures which include hearings and conferences between the Bureau and the TVA. The budget estimates describe a program of work and set out in detail the expenditures that are anticipated for the succeeding fiscal year, together with the appropriations that will be required to meet such expenditures. The estimates and the review by the Bureau of the Budget include not only the objects and programs that are to be financed with appropriated funds but also those transactions that are financed out of revenues in accordance with section 26 of the Tennessee Valley Authority Act. The annual budget presentation thus includes a full explanation of what revenues are anticipated and the use that will be made of them. In this connection, it is important to bear in mind that under section 26 of its act, the TVA is authorized to finance from revenues only the operation of dams and reservoirs and the conduct of power and fertilizer business activities. All other operations must be financed from annual appropriations.

After the budget estimates have been reviewed and revised by the Bureau of the Budget, these estimates, together with a detailed and comprehensive justification, are submitted by the President to the Congress in the annual budget. They are then reviewed in detail by the appropriation committees of both Houses, through the medium of hearings and otherwise, and are considered and debated on the floor. This annual review by Congress covers every phase of TVA activity, including both those programs financed by appropriated funds and those activities

covered by section 26. Thus, the Congress has the fullest opportunity to reexamine the policies and operations of the TVA and to take whatever action may be deemed necessary.

As illustrative of the scope and particularity of this record of examination and review, I refer you to pages 307 to 433 of the hearings before the subcommittee of the House Committee on Appropriations on the independent offices appropriation bill for 1945 and to pages 361 to 522 of the hearings before the subcommittee of the Senate Committee on Appropriations on the same bill. Your attention is also directed to the extensive debates on the TVA appropriation which have occurred on the floor of the Senate and the House almost every year. The debate in the Senate on the 1945 appropriation act is reported in volume 90 of the Congressional Record at pages 2710-2712, 2919-2943, and 3097-3135.

Congress and the President receive regular reports on TVA activities, including an independent audit

The Congress is further advised as to the details of TVA operations by the various reports which the TVA is required to file. After the close of each fiscal year, TVA submits to the Congress a comprehensive annual report covering every significant phase of its activities. The section of this report dealing with the financial aspects of its operations includes a balance sheet, statements of accounting policy, income and expense statements for each program, and detailed statements of operations. It also includes a report of the independent public accountants, Lybrand, Ross Bros. & Montgomery, who are employed to audit the TVA's books.

In addition to the annual report to Congress, various reports are submitted to the Bureau of the Budget and the Treasury Department in accordance with the regulations issued under Executive Order No. 8512, as amended. Monthly reports of the status of appropriations are prepared in accordance with Budget-Treasury Regulations No. 1. Budget-Treasury Regulations No. 2 requires an annual financial report covering the history, organization, functions, and summary of accomplishments; an analysis and interpretation of every phase of financial operations; and a complete set of comparative financial statements. Budget-Treasury Regulations No. 3 requires submission quarterly of a balance sheet, statement of income and expenses, and a statement of source and application of funds.

The TVA submits a monthly account current to the General Accounting Office showing the status of all of its cash and appropriation funds and an annual report to the President and to the Congress of the expenditures of funds derived from the sale of bonds authorized by section 15c of the Tennessee Valley Authority Act of 1933, as amended. The Federal Power Commission receives an annual report of the financial results of power operations and a monthly summary of operating income and expenses.

The General Accounting Office settles and audits TVA accounts and reports thereon to the President and Congress.—Under section 9 (b) of the Tennessee Valley Authority Act, all transactions of the TVA are subject to a double review by the General Accounting Office. That Office not only settles and adjusts the accounts under the Budget and Accounting Act of 1921, but in addition conducts a continuous field audit with extensive power to examine all books and records. This same section imposes upon the Comptroller General the duty to report annually the results of this audit. The nature of this audit was described by the Comptroller General in his annual report to the Congress for the year 1944 as follows:

"* * * the audit of the transactions of the Authority has been divided into two parts, consisting of a comprehensive book or commercial audit, and a voucher audit of the accounts submitted by the Treasurer or other accountable officers of the Authority for adjustment and settlement pursuant to section 236, Revised Statutes, as amended by section 305 of the Budget and Accounting Act, 1921. This latter audit was conducted during the fiscal year 1944 as a part of the general audit work described above, and needs no special mention at this time.

"With respect to the former or book audit, a comprehensive audit of the transactions of the Tennessee Valley Authority for the fiscal year ended June 30, 1943, was made during the fiscal year 1944 in accordance with accepted commercial practice. The audit included a verification of the assets and liabilities of the Authority at June 30, 1943, and an examination of its revenue and expense accounts for the year ended on that date [pp. 32-33]."

It is thus apparent that none of the reasons that have been advanced for the enactment of legislation of this character apply to the TVA. On the other hand, there are compelling reasons why the Congress should not apply to this agency a statutory framework designed to meet altogether different problems.

The provisions of the bill would seriously and adversely affect TVA operations

Section 104 of title I prohibits any Government corporation from transacting any business in any fiscal year "except such business as is authorized by act of Congress as a part of its budget program for such fiscal year." This language was obviously designed to apply to subsidiary lending or other agencies not created or chartered by direct act of Congress. As applied to the TVA, which was so created and chartered, it is difficult to appraise or predict its effect.

By the Tennessee Valley Authority Act, and the various amendments added thereto from time to time, the Congress itself, after prolonged consideration and debate, has enunciated with great care and particularity the policies by which the TVA is to be guided and the specific powers and duties which it is to exercise and discharge. By that act, the TVA has been authorized and directed to do certain specific things in a specified geographical area as part of a long-range continuous program. It has been authorized to construct a series of dams and reservoirs on the Tennessee River system, to generate electric power at those projects, to market that power by means of transmission lines and substations to be constructed and maintained by the TVA, and to contract with communities throughout the valley to supply their power requirements over long-term periods. As a part of this program, the Congress expressly authorized the acquisition by the TVA of the privately owned generating and transmission properties previously serving large parts of this area. In this way the Congress has made a commitment to the people of this area that this essential function will continue to be performed efficiently and without interruption.

In order that this commitment might be carried out, section 26 of the Tennessee Valley Authority Act conferred upon the TVA the power to use the revenues derived from the sale of electric power to meet all contingencies and requirements of this business as they might arise. The legislative history makes it clear that section 26 was included in the act deliberately in recognition of the need for flexibility in the making of expenditures arising out of the necessities of such a business.

Repeated efforts have been made to deprive the TVA of the power to use its revenues to meet operating expenses as authorized by section 26 of the act, and these proposals have been carefully considered by the Congress. Extensive hearings were held before the subcommittee of the Senate Committee on Agriculture and Forestry on S. 2361 (77th Cong., 2d sess.), a bill which would have accomplished this result. At the last session of the Congress a similar bill (S. 499, 78th Cong., 1st sess.) was introduced. At the same time, an attempt was made to deprive the TVA of the right to use its revenues by an amendment to the independent offices appropriations bill for the year 1945. This bill was debated at length both in the Senate and in the House, but the proposed amendment failed of adoption.

It thus appears that the Congress has repeatedly refused to amend section 26 of the Tennessee Valley Authority Act in such a way as to make revenues unavailable to meet current business requirements. Yet there is a serious question as to whether the language quoted from section 104 does not do just that. It would seem to mean that far in advance of the beginning of each fiscal year, the TVA must predict with considerable exactitude just what business it will transact during that year, and upon the basis of that prediction obtain a specific authorization for everything that is to be done.

Section 104 would, in effect, repeal the corporate charter as established by Congress in the Tennessee Valley Authority Act and in lieu thereof require the TVA to procure an annual charter from Congress. Such procedure, by creating doubt as to the continued ability of the TVA to perform its obligations, would hamper the development of industries in this area and would leave every community now dependent upon the TVA power system for its business life in complete uncertainty as to its future from year to year. This section would thus raise grave doubts as to the continued wisdom of the Federal Government operating power facilities and undertaking to supply power to an entire region through some 130 locally owned public agencies, power boards, and rural cooperatives.

The Tennessee Valley Authority, at the direction of Congress, has acquired the generating and transmission systems of the utilities that formerly served most of the State of Tennessee and parts of the other Tennessee Valley States. The various local communities joined in the acquisition of these properties by purchasing the distribution systems and entered into contracts with TVA for the supply of electric power. They thus deprived themselves of the possibility of securing power to meet their needs from any other source, in reliance on what

they considered to be a firm commitment of Congress that it would never jeopardize the ability of the TVA to supply their demands. Any action of Congress which would deprive the TVA of the power to use revenues to meet current expenditures would in effect repeal the assurance which Congress has given to these communities.

For more detailed statements as to the necessity for the use of revenues, I refer you to my statement appearing at pages 173 to 176 of the hearings before the subcommittee of the Senate Committee on Agriculture and Forestry on S. 2361 (77th Cong., 2d sess.); the statement of G. O. Wessenauer, the TVA manager of power, appearing at pages 177 to 181 of the same hearings; the statement of Senator Hill appearing in volume 90 of the Congressional Record at pages 3109 to 3115; and the statement of Congressman Kefauver appearing in volume 90 of the Congressional Record at pages 4158 to 4165.

The uncertainty which would be created by this act is made even worse by the provision of section 104 that "no expenditures for administrative expenses in any fiscal year shall be made by any such corporation except in the amounts authorized and made available by Congress for such fiscal year." The key phrase here is "administrative expenses." It is not defined in the bill. In practice, the phrase could be construed to include all classes of expense not charged directly to TVA's operating expense and capital expenditure account. In such case it would encompass a host of fixed and variable costs over which advance budget control is not possible. Many of these indirect costs are governed almost entirely by changes in volume of power, fertilizer or munitions production, or by new construction activity of a type not easily scheduled in advance. The phrase could be so construed as to constitute an effective impairment of our ability to meet the obligations placed on the TVA by its power supply contracts. Limitations on such items as the amounts available for travel or for supervisory personnel, for example, could block the construction of lines to serve new loads or the repair of existing facilities damaged by storms.

The language quoted above from section 104 of the bill, construed in conjunction with the language appearing in lines 12 to 15 of page 5, would be seriously detrimental to the TVA in another important respect, since its probable effect would be to deprive this agency of the power to settle claims in tort and contract, which power has been expressly conferred by section 9 (b) of the Tennessee Valley Authority Act, with the concurrence and upon the recommendation of the Comptroller General. The TVA is a corporation and subject to suit in its corporate name. The power to settle its own claims, therefore, is essential for its protection.

The provisions of sections 105 and 106 of the bill, relating to audits and reports, do not go as far in the way of audit control as the present provisions of section 9 (b) of the Tennessee Valley Authority Act, and their enactment with respect to TVA could only cause confusion in the present relationship between this agency and the General Accounting Office. That relationship has for several years been entirely satisfactory to all parties concerned. Section 107 of the bill can have no application to the TVA, since it is not authorized to obtain capital in the manner referred to therein.

The stated purpose of H. R. 2177 is "to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof." As pointed out above, TVA is already fully responsive to such a policy of congressional review and control, so that the result sought to be achieved by the bill has, as to TVA, been an accomplished fact from the very beginning. As applied to TVA, therefore, the bill is unnecessary and would accomplish no constructive purpose. Further, for the reasons stated above which grow largely out of the fact that the bill is directed primarily at other agencies with wholly different problems, powers, functions, responsibilities, sources of funds, and methods of reporting, it is our considered judgment that the enactment of this legislation without a specific exemption of the TVA would seriously jeopardize our operations. If the committee is not wholly satisfied that such an exemption should be incorporated, it is respectfully requested that we be given an opportunity to be heard on the bill.

This report has been examined by the Bureau of the Budget, which has indicated that there would be no objection to its submission to the Committee.

Sincerely yours,

(Signed) DAVID E. LILIENTHAL, *Chairman.*

IV. DIFFERENCES BETWEEN GOVERNMENTAL AND COMMERCIAL TYPES OF AUDIT

[Excerpts from H. Rept. No. 846, 78th Cong., 1st session]

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In general, the purpose of the governmental type of audit is to determine the validity of expenditures under appropriations made by the Congress, in the light of restrictions and limitations placed by the Congress generally upon the expenditure of appropriated moneys. It is a part of a system designed to enforce the personal accountability of governmental officers authorizing or expending those funds upon the basis of documents and records usually submitted to the General Accounting Office and retained in its custody. In contrast, the commercial type of audit is separate and apart from the accounting system and internal financial control of the Corporation and is designed to determine the true financial condition of the Corporation as of a given date and the results of its financial operations during the period covered by the audit, as well as establishing whether the funds of the Corporation have been regularly expended in accordance with corporate authorization. These determinations are made by detailed examination of the operating and financial records of the Corporation at the places where they are being used in the conduct of corporate business.

* * * * *

The fundamental difference between the two types of audit and the inadequacy of the governmental type of audit as applied to capital-fund operations of the Corporation may be more clearly seen from a comparison of the procedures involved.

The governmental type of audit generally involves the following seven steps:

1. The fixing of the amount for which the disbursing officer is accountable under his bonded responsibility by reason of the advance of funds under particular appropriations upon accountable warrants and by reason of collections received by him;

2. The submission by the designated disbursing officer to the General Accounting Office for audit and settlement of an account supported by certified vouchers and by other original papers evidencing specific payments which he has made from the particular funds charged to him;

3. The examination by the General Accounting Office of these vouchers and other original supporting papers to determine whether the payments covered thereby were properly authorized and whether the expenditures represent valid obligations of the Government under the specific appropriation sought to be charged;

4. The settlement by the General Accounting Office of the disbursing officer's account and the determination of his liability to the United States;

5. The determination of the liability to the United States of the officer certifying for payment the items included in the disbursing officer's account;

6. The preparation and issuance of certificates of settlement incorporating all unexplained or unadjusted differences developed in the examinations of the accounts; and

7. The institution of collection proceedings if the accountable officer fails to pay over any balances found due from him in the settlement.

The commercial type of audit ordinarily made of large business corporations usually involves the following seven steps:

1. The establishment of the authorities of the various officers and employees by reference to the original articles of incorporation, bylaws, minutes of the board of directors, and other official authorizations taken in the name of the Corporation;

2. The verification, through appropriate checks, of the original general and subsidiary ledgers by comparison of original collection and disbursement documents with such ledgers and, in connection with this, the determination that all actions reviewed are properly authorized;

3. The verification from the original accounting records and supporting documents of the accuracy of all items appearing on the balance sheet, including verification of all cash on hand and in banks, and when needed, positive establishment of the existence of assets by physical inventory methods or through inquiries addressed to debtors and the determination of actual liabilities through inquiries addressed to creditors;

4. The review and establishment of the accuracy of any operating statements to determine that they clearly indicate the financial progress of the Corporation during the period covered by the audit, including proper reflection of any profits made or losses suffered;

5. Determination, in light of the actions by the board of directors and any changes in the policies of the Corporation, that proper records are established and necessary safeguards developed correctly to reflect the financial operations of the Corporation and to protect the Corporation from financial loss which can be prevented by proper and adequate records and procedures;

6. The preparation of a report covering the audit, including certified financial statements and comments deemed appropriate by the auditor, such as recommendations for changes in the accounting procedure and records, errors still uncorrected at the completion of the audit, analysis of facts brought out in the financial statements, and the submission of such a report to the officials ordering the audit; and

7. The institution of corrective action by the corporate management.

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Union Calendar No. 255

79TH CONGRESS
1ST SESSION

H. R. 3660

[Report No. 856]

IN THE HOUSE OF REPRESENTATIVES

JULY 3, 1945

Mr. WHITTINGTON introduced the following bill; which was referred to the Committee on Expenditures in the Executive Departments

JULY 5, 1945

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To provide for financial control of Government corporations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Government Corporation
4 Control Act".

5 DECLARATION OF POLICY

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT
CORPORATIONS

SEC. 101. As used in this Act the term “wholly owned Government corporation” means the Commodity Credit Corporation; Federal Intermediate Credit Banks; Production Credit Corporations; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; The RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; The Virgin Islands Company; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and

1 including public housing projects financed from appropri-
2 ated funds and operations thereof; Defense Homes Corpo-
3 ration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Panama Railroad Company; Tennessee Valley
6 Authority; and Tennessee Valley Associated Cooperatives,
7 Incorporated.

8 SEC. 102. Each wholly owned Government corporation
9 shall cause to be prepared annually a budget program, which
10 shall be submitted to the President through the Bureau of
11 the Budget on or before September 15 of each year. The
12 Bureau of the Budget, under such rules and regulations as
13 the President may establish, is authorized and directed to
14 prescribe the form and content of, and the manner in which
15 such budget program shall be prepared and presented. The
16 budget program shall be a business-type budget, or plan of
17 operations, with due allowance given to the need for flexi-
18 bility, including provision for emergencies and contingencies,
19 in order that the corporation may properly carry out its
20 activities as authorized by law. The budget program shall
21 contain estimates of the financial condition and operations
22 of the corporation for the current and ensuing fiscal years
23 and the actual condition and results of operation for the last
24 completed fiscal year. Such budget program shall include a
25 statement of financial condition, a statement of income and

1 expense, an analysis of surplus or deficit, a statement of
2 sources and application of funds, and such other supple-
3 mentary statements and information as are necessary or de-
4 sirable to make known the financial condition and operations
5 of the corporation. Such statements shall include estimates
6 of operations by major types of activities, together with esti-
7 mates of administrative expenses, estimates of borrowings,
8 and estimates of the amount of Government capital funds
9 which shall be returned to the Treasury during the fiscal year
10 or the appropriations required to provide for the restoration
11 of capital impairments.

12 SEC. 103. The budget programs of the corporations as
13 modified, amended, or revised by the President shall be
14 transmitted to the Congress as a part of the annual Budget
15 required by the Budget and Accounting Act, 1921. Amend-
16 ments to the annual budget programs may be submitted from
17 time to time.

18 Budget programs shall be submitted for all wholly owned
19 Government corporations covering operations for the fiscal
20 year commencing July 1, 1946, and each fiscal year there-
21 after.

22 SEC. 104. The budget programs transmitted by the
23 President to the Congress shall be considered and, if nec-
24 essary, legislation shall be enacted making available such
25 funds or other financial resources as the Congress may de-

1 termine. The provisions of this section shall not be con-
2 strued as preventing wholly owned Government corpora-
3 tions from carrying out and financing their activities as
4 authorized by existing law, nor shall any provisions of this
5 section be construed as affecting in any way the provisions
6 of section 26 of the Tennessee Valley Authority Act, as
7 amended. The provisions of this section shall not be con-
8 strued as affecting the existing authority of any wholly
9 owned Government corporation to make contracts or other
10 commitments without reference to fiscal-year limitations.

11 SEC. 105. The financial transactions of wholly owned
12 Government corporations shall be audited by the General
13 Accounting Office in accordance with the principles and
14 procedures applicable to commercial corporate transactions
15 and under such rules and regulations as may be prescribed
16 by the Comptroller General of the United States: *Provided*,
17 That such rules and regulations may provide for the reten-
18 tion at the offices of such corporations, in whole or in part,
19 of any accounts of accountable officers, covering corporate
20 financial transactions, which are required by existing law
21 to be settled and adjusted in the General Accounting Office,
22 and for the settlement and adjustment of such accounts in
23 whole or in part upon the basis of examinations in the
24 course of the audit herein provided, but nothing in this
25 proviso shall be construed as affecting the powers reserved

1 to the Tennessee Valley Authority in the Act of Novem-
2 ber 21, 1941 (55 Stat. 775). The audit shall be con-
3 ducted at the place or places where the accounts of the
4 respective corporations are normally kept. The representa-
5 tives of the General Accounting Office shall have access to
6 all books, accounts, financial records, reports, files, and all
7 other papers, things, or property belonging to or in use by
8 the respective corporations and necessary to facilitate the
9 audit, and they shall be afforded full facilities for verifying
10 transactions with the balances or securities held by deposi-
11 taries, fiscal agents, and custodians. The audit shall begin
12 with the first fiscal year commencing after the enactment of
13 this Act.

14 SEC. 106. A report of each such audit for each fiscal
15 year ending on June 30 shall be made by the Comptroller
16 General to the Congress not later than January 15 following
17 the close of the fiscal year for which such audit is made.
18 The report shall set forth the scope of the audit and shall
19 include a statement (showing intercorporate relations) of
20 assets and liabilities, capital and surplus or deficit; a state-
21 ment of surplus or deficit analysis; a statement of income
22 and expense; a statement of sources and application of
23 funds; and such comments and information as may be
24 deemed necessary to keep Congress informed of the opera-
25 tions and financial condition of the several corporations,

1 together with such recommendations with respect thereto as
2 the Comptroller General may deem advisable, including a
3 report of any impairment of capital noted in the audit and
4 recommendations for the return of such Government capital
5 or the payment of such dividends as, in his judgment, should
6 be accomplished. The report shall also show specifically
7 any program, expenditure, or other financial transaction or
8 undertaking observed in the course of the audit, which, in
9 the opinion of the Comptroller General, has been carried
10 on or made without authority of law. A copy of each re-
11 port shall be furnished to the President, to the Secretary of
12 the Treasury, and to the corporation concerned at the time
13 submitted to the Congress.

14 SEC. 107. Whenever it is deemed by the Director of
15 the Bureau of the Budget, with the approval of the Presi-
16 dent, to be practicable and in the public interest that any
17 wholly owned Government corporation be treated with re-
18 spect to its appropriations, expenditures, receipts, accounting,
19 and other fiscal matters as if it were a Government agency
20 other than a corporation, the Director shall include in con-
21 nection with the budget program of such corporation in
22 the Budget a recommendation to that effect. If the Congress
23 approves such recommendation in connection with the bud-
24 get program for any fiscal year, such corporation, with respect
25 to subsequent fiscal years, shall be regarded as an establish-

1 ment other than a corporation for the purposes of the Budget
2 and Accounting Act, 1921, and other provisions of law
3 relating to appropriations, expenditures, receipts, accounts,
4 and other fiscal matters, and shall not be subject to the pro-
5 visions of this Act other than this section. The corporate
6 entity shall not be affected by this section.

7 TITLE II—MIXED-OWNERSHIP GOVERNMENT 8 CORPORATIONS

9 SEC. 201. As used in this Act the term “mixed-owner-
10 ship Government corporations” means (1) the Central
11 Bank for Cooperatives and the Regional Banks for Coopera-
12 tives, (2) Federal Land Banks, (3) Federal Home Loan
13 Banks, and (4) Federal Deposit Insurance Corporation.

14 SEC. 202. The financial transactions of mixed-owner-
15 ship Government corporations for any period during
16 which Government capital has been invested therein shall
17 be audited by the General Accounting Office in accordance
18 with the principles and procedures applicable to commercial
19 corporate transactions and under such rules and regulations
20 as may be prescribed by the Comptroller General of the
21 United States. The audit shall be conducted at the place
22 or places where the accounts of the respective corporations
23 are normally kept. The representatives of the General
24 Accounting Office shall have access to all books, accounts,
25 financial records, reports, files, and all other papers, things,

1 or property belonging to or in use by the respective cor-
2 porations and necessary to facilitate the audit, and they
3 shall be afforded full facilities for verifying transactions with
4 the balances or securities held by depositaries, fiscal agents,
5 and custodians. The audit shall begin with the first fiscal
6 year commencing after the enactment of this Act.

7 SEC. 203. A report of each such audit for each fiscal
8 year ending on June 30 shall be made by the Comptroller
9 General to the Congress not later than January 15, following
10 the close of the fiscal year for which such audit is made.
11 The report shall set forth the scope of the audit and shall
12 include a statement (showing intercorporate relations) of
13 assets and liabilities, capital and surplus or deficit; a state-
14 ment of surplus or deficit analysis; a statement of income
15 and expense; a statement of sources and application of
16 funds; and such comments and information as may be
17 deemed necessary to keep Congress informed of the oper-
18 ations and financial condition of, and the use of Government
19 capital by, each such corporation, together with such recom-
20 mendations with respect thereto as the Comptroller General
21 may deem advisable, including a report of any impairment
22 of capital or lack of sufficient capital noted in the audit and
23 recommendations for the return of such Government capital
24 or the payment of such dividends as, in his judgment, should
25 be accomplished. The report shall also show specifically

1 any program, expenditure, or other financial transaction
2 or undertaking observed in the course of the audit, which,
3 in the opinion of the Comptroller General, has been carried
4 on or made without authority of law. A copy of each report
5 shall be furnished to the President, to the Secretary of the
6 Treasury, and to the corporation concerned at the time
7 submitted to the Congress.

8 SEC. 204. The President shall include in the annual Budget
9 any recommendations he may wish to make as to the return
10 of Government capital to the Treasury by any mixed-owner-
11 ship corporation.

12 TITLE III—GENERAL PROVISIONS

13 SEC. 301. (a) The expenses of auditing the financial
14 transactions of wholly owned and mixed-ownership Gov-
15 ernment corporations as provided in sections 105 and 202 of
16 this Act shall be borne out of appropriations to the General
17 Accounting Office, and appropriations in such sums as may
18 be necessary are hereby authorized: *Provided*, That each
19 such corporation shall reimburse the General Accounting
20 Office for the full cost of any such audit as billed therefor
21 by the Comptroller General, and the General Accounting
22 Office shall deposit the sums so reimbursed into the Treasury
23 as miscellaneous receipts: *Provided further*, That in making
24 the audits provided in said sections the Comptroller General
25 shall, to the fullest extent deemed by him to be practicable,

1 utilize reports of examinations of Government corporations
2 made by a supervising administrative agency pursuant to
3 law.

4 (b) For the purpose of conducting such audit the
5 Comptroller General is authorized in his discretion to employ
6 not more than ten persons without regard to the Classifica-
7 tion Act of 1923, as amended, only one of whom may be
8 compensated at a rate of as much as but not more than
9 \$10,000 per annum, and to employ by contract, without
10 regard to section 3709 of the Revised Statutes, professional
11 services of firms and organizations for temporary periods
12 or for special purposes.

13 (c) The audit provided in sections 105 and 202 of this
14 Act shall be in lieu of any audit of the financial transactions
15 of any Government corporation required to be made by the
16 General Accounting Office for the purpose of a report to the
17 Congress or to the President under any existing law.

18 (d) Unless otherwise expressly provided by law, no
19 funds of any Government corporation shall be used to pay
20 the cost of any private audit of the financial records of the
21 offices of such corporation, except the cost of such audits
22 contracted for and undertaken prior to April 25, 1945.

23 SEC. 302. The banking or checking accounts of all
24 wholly owned and mixed-ownership Government corpora-
25 tions shall be kept with the Treasurer of the United States,

1 or, with the approval of the Secretary of the Treasury, with
2 a Federal Reserve bank, or with a bank designated as a
3 depositary or fiscal agent of the United States: *Provided*,
4 That the Secretary of the Treasury may waive the require-
5 ments of this section under such conditions as he may deter-
6 mine: *And provided further*, That this section will not apply
7 to the establishment and maintenance in any bank for a
8 temporary period of banking and checking accounts not in
9 excess of \$50,000 in any one bank. The provisions of this
10 section shall not be applicable to Federal Intermediate Credit
11 Banks, Production Credit Corporations, the Central Bank
12 for Cooperatives, the Regional Banks for Cooperatives, or
13 the Federal Land Banks, except that each such corporation
14 shall be required to report annually to the Secretary of the
15 Treasury the names of the depositaries in which such cor-
16 poration keeps a banking or checking account, and the Sec-
17 retary of the Treasury may make a report in writing to the
18 corporation, to the President, and to the Congress which
19 he deems advisable upon receipt of any such annual report.

20 SEC. 303. (a) All bonds, notes, debentures, and other
21 similar obligations which are hereafter issued by any wholly
22 owned or mixed-ownership Government corporation and
23 offered to the public shall be in such forms and denomina-
24 tions, shall have such maturities, shall bear such rates of
25 interest, shall be subject to such terms and conditions, shall

1 be issued in such manner and at such times and sold at such
2 prices as have been or as may be approved by the Secretary
3 of the Treasury.

4 (b) Hereafter, no wholly owned or mixed-ownership
5 Government corporation shall sell or purchase any direct obli-
6 gation of the United States or obligation guaranteed as to
7 principal or interest, or both, for its own account and in its
8 own right and interest, at any one time aggregating in
9 excess of \$100,000, without the approval of the Secretary
10 of the Treasury: *Provided*, That the Secretary of the Treas-
11 ury may waive the requirement of his approval with respect
12 to any transaction or classes of transactions subject to the
13 provisions of this subsection for such period of time and
14 under such conditions as he may determine.

15 (c) The Secretary of the Treasury is hereby author-
16 ized to exercise any of the functions vested in him by this
17 section through any officer or employee of any Federal
18 agency whom he may designate, with the concurrence of
19 the head of the agency concerned, for such purpose.

20 (d) Any mixed-ownership Government corporation
21 from which Government capital has been entirely withdrawn
22 shall not be subject to the provisions of section 302 or of this
23 section during the period such corporation remains without
24 Government capital. The provisions of subsections (a) and
25 (b) of this section shall not be applicable to Federal Inter-

1 mediate Credit Banks, Production Credit Corporations, the
2 Central Bank for Cooperatives, the Regional Banks for
3 Cooperatives, or the Federal Land Banks, except that each
4 such corporation shall be required to consult with the Secre-
5 tary of the Treasury prior to taking any action of the kind
6 covered by the provisions of subsections (a) and (b) of this
7 section, and in the event an agreement is not reached, the
8 Secretary of the Treasury may make a report in writing
9 to the corporation, to the President, and to the Congress
10 stating the grounds for his disagreement.

11 SEC. 304. (a) No corporation shall be created, organ-
12 ized, or acquired hereafter by any officer or agency of the
13 Federal Government or by any Government corporation for
14 the purpose of acting as an agency or instrumentality of the
15 United States, except by Act of Congress or pursuant to an
16 Act of Congress specifically authorizing such action.

17 (b) No wholly owned Government corporation created
18 by or under the laws of any State, Territory, or possession
19 of the United States or any political subdivision thereof, or
20 under the laws of the District of Columbia, shall continue
21 after June 30, 1948, as an agency or instrumentality of the
22 United States, and no funds of, or obtained from, the United
23 States or any agency thereof, including corporations, shall
24 be invested in or employed by any such corporation after that
25 date, except for purposes of liquidation. The proper corpo-

1 rate authority of every such corporation shall take the neces-
2 sary steps to institute dissolution or liquidation proceedings
3 on or before that date: *Provided*, That prior thereto any
4 such corporation may be reincorporated by Act of Congress
5 for such purposes and term of existence and with such pow-
6 ers, privileges, and duties as authorized by such Act, includ-
7 ing the power to take over the assets and assume the liabili-
8 ties of its respective predecessor corporation.

79TH CONGRESS
1ST Session

H. R. 3660

[Report No. 856]

A BILL

To provide for financial control of Government corporations.

By Mr. WHITTINGTON

JULY 3, 1945

Referred to the Committee on Expenditures in the
Executive Departments

JULY 5, 1945

Committed to the Committee of the Whole House on
the State of the Union and ordered to be printed

18. SURPLUS PROPERTY. Rep. Manasco, Ala., received unanimous consent that on Monday, Sept. 10, it shall be in order to consider H.R. 3907, to provide for administration of the Surplus Property Act of 1944 by a Surplus Property Administrator (p. 8518).
19. RATIONING. Rep. Murray, Wis., urged that ration points be taken off beef in order to provide necessary nutrition, to avoid a demoralized beef market, to furnish employment, and to "see a policy of abandoning the rationing of food when there is no shortage of a food" (pp. 8551-2).
20. GOVERNMENT CORPORATIONS. Rules Committee reported a resolution for the consideration of H.R. 3660, to provide for financial control of Government corporations (p. 8559).
21. DAYLIGHT SAVING TIME. Rep. Cannon, Mo., spoke favoring the return to standard time and inserted sundry telegrams, etc., on the subject (pp. 8531-50).
22. POST-WAR PLANNING. Rep. Gross, Pa., spoke optimistically about the employment situation and discussed the full-employment, selective service, lend-lease, and veterans' phases of the President's message (pp. 8553-4).
23. ADJOURNED until Mon., Sept. 10 (p. 8559).

ITEMS IN APPENDIX

24. TRANSPORTATION. Sen. Lucas, Ill., inserted an CDT release on carloadings of grain and grain products statistics (p. A4069).
Reps. Bennet and Reed, N.Y., inserted N. Y. Legislature resolutions favoring H. R. 3615, to provide for Federal aid in construction of airports (pp. A4064-5, A4092-3).
25. PRICE CONTROL. Sen. Lucas, Ill., inserted a Prairie Farmer editorial commending OPA's administration of price controls (pp. A4071-2).
26. EMPLOYMENT DISCRIMINATION. Sen. Lucas, Ill., inserted correspondence between Sen. Bilbo, Miss., and Flora J. Cooke, retired teacher, included in a Chicago Sun article, on employment discrimination (pp. A4081-2).
27. POST-WAR PLANNING. Sen. Murray, Mont., inserted Bishop Ready's sermon on reconversion as related to employment, wages, and social security (pp. A4070-1).

BILLS INTRODUCED

28. SURPLUS PROPERTY. S. 1353, by Sen. Thomas, Utah, to provide for administration of the Surplus Property Act of 1944 by a Surplus Property Administrator. To Military Affairs Committee. (p. 8501.)
29. ASSISTANT SECRETARIES OF COMMERCE. S. 1367, by Sen. Bailey, N. Car., to provide for the appointment of three additional Assistant Secretaries of Commerce. To Commerce Committee. (p. 8502.)
30. BANKRUPTCY. S. 1365, by Sen. Connally, Tex., to amend Sec. 35 of the Bankruptcy Act to permit the appointment of supervising conciliation commissioners as referees in bankruptcy. To Judiciary Committee. (p. 8502.)

31. PERSONNEL. S. 1351, by Sen. McCarran, Nev., to provide for a 30-hour week for Federal officers and employees and S. 1352, to protect leave accumulated by Federal employees in excess of 60 days. To Civil Service Committee. (pp. 8502, 8503.) Remarks of author (pp. 8502-3).
32. DAYLIGHT SAVING TIME. S. 1358, by Sen. Byrd, Va., to provide for returning to the use of standard time. To Interstate Commerce Committee. (p. 8502.)
H. R. 3953, by Rep. Brumbaugh, Pa., to restore standard time, and H.R. 3956 by Rep. Knutson, Minn., to repeal the act establishing daylight-saving time. To Interstate and Foreign Commerce Committee. (p. 8559.)
33. TAXATION. H. R. 3954, by Rep. Flood, Pa., to effect a reduction in individual income tax. To Ways and Means Committee. (p. 8559.)
34. VETERANS; EMPLOYMENT. H.R. 3958, by Rep. Morrison, La., to continue in effect the reemployment rights of veterans after the termination of other provisions of the Selective Training and Service Act of 1940. To Military Affairs Committee. (p. 8559.)
35. DAYLIGHT-SAVING TIME. H. Con. Res. 78, by Rep. Angell, Oreg., to reinstate standard time, H. Con. res. 79, by Rep. Schwabe, Okla., setting the date for the discontinuation of daylight-saving time, and H.J. Res. 235, by Rep. Price, Ill., to provide for termination of the act of Jan. 20, 1942, providing for daylight-saving time. To Interstate and Foreign Commerce Committee. (p. 8560.)
36. PRINTING AND BINDING. H.R. 3962, by Rep. Rees, Kans., to establish a Division of Printing Control in the Office of the Bureau of the Budget. To Printing Committee. (p. 8560.)

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For supplemental information and copies of legislative material referred to, call Ext. 4654, or send to Room 112 Adm. Arrangements may be made to be kept advised, routinely, of developments on any particular bill.

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ITEMS IN FEDERAL REGISTER Sept. 6, 1945.

37. SURPLUS PROPERTY Board regulations on the delegation of authority to this Department for disposal of surplus food items, priorities of Government agencies and State and local governments, and release of surplus trucks previously allocated for disposal (pp. 11364, 11365, 11378).

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COMMITTEE HEARINGS ANNOUNCEMENTS for Sept. 7: S. Banking and Currency, full-employment bill (ex.); S. Judiciary, Government reorganization; H. Appropriations, deficiency (ex.); H. Expenditures in the Executive Departments, reorganization (ex.); H. Ways and Means, unemployment compensation.

came the enactment of legislation to bring greater justice to the people and apply the principles of economic liberalism.

Nevertheless, since the instinct of self-preservation is strong not only in the biologic but also in the institutional realm, it is very possible that these bureaucratic groups may make common cause with reactionary forces that benefit from the colonial regime, since independence is not considered desirable by either of these two groups.

In this sense the people of Puerto Rico are innocent bystanders who have in recent years maintained close relations of friendship and cooperation with bureaucracy, but who now are faced with the possibility that the reactionary minority may attempt to make use of the people's forces against the people themselves.

This is not an attempt to denounce a conspiracy. It is only intended to point out forces which although antagonistic on questions of social justice, may still make contact and cooperate to impede the liberation of our people.

Be on guard, fellow citizens. We are at a cross roads in the history of our native land, and we have a great responsibility. Let us not make hasty judgments concerning events. Let us analyze the fact without prejudice. Let us shoulder our responsibilities, demanding that our representatives in elective positions respond to the genuine interests of the people, so that the people will be respected in this fateful hour.

For the executive committee:

ANTONIO SANTAELLA,
*Acting President, Congress for the
Independence of Puerto Rico.*

JESÚS BORDONADA, *Secretary.*

BALTÁZAR QUIÑONES ELÍAS,
Chairman, Committee on Reports.

SENATE BILLS REFERRED

Bills and a concurrent resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 230. An act to amend Public Law 518, Seventy-eighth Congress, approved December 20, 1944; to the Committee on Agriculture.

S. 504. An act to quiet title and possession with respect to that certain unconfirmed and located private land claim known as claim of Daniel Boardman, C. No. 13, in Cosby and Skipwith's Report of 1820, certificate 749, and being designated as section 44, township 7 south, range 3 east, Greensburg Land District, Livingston Parish, La., on the official plat of said township; to the Committee on the Public Lands.

S. Con. Res. 17. Concurrent resolution providing for a study by a joint congressional committee of educational facilities, living quarters, and other matters relating to pages employed by the two Houses of Congress; to the Committee on Rules.

ADJOURNMENT

Mr. ROWAN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 54 minutes p. m.), pursuant to its previous order, the House adjourned until Monday, September 10, 1945, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON THE JUDICIARY

(Wednesday, September 12, 1945)

At 10 a. m., on Wednesday, September 12, 1945, Subcommittee No. 1 of the Committee on the Judiciary will hold a public

hearing on the bill (H. R. 3750) to amend the First War Powers Act, 1941. The meeting will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON INVALID PENSIONS

(Thursday, September 13, 1945)

There will be a public hearing before the Committee on Invalid Pensions at 10 a. m., on Thursday, September 13, 1945, in the committee hearing room, 247 Old House Office Building on H. R. 1653 by Representative HENDRICKS and H. R. 2073 by Representative LUDLOW, bills to extend benefits to veterans of the Mexican border service of 1916 and 1917 and their dependents.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

666. A letter from the Acting Secretary of War, transmitting a list of all War Department contracts in excess of \$150,000 undertaken during the fiscal year 1945; to the Committee on Military Affairs.

667. A letter from the Director, Selective Service System, transmitting a list of the Selective Service registrants occupationally deferred by the local boards of the System as of April 1, 1945, because of their employment in or under the Federal Government; to the Committee on Military Affairs.

668. A letter from the Secretary of State, transmitting a communication from the Speaker of the House of Commons of Northern Ireland, offering congratulations on the victory and completion of the campaign in Europe; to the Committee on Foreign Affairs.

669. A letter from the Director of Budget and Reports, Navy Department, transmitting a report showing the name, age, legal residence, rank, branch of service, with special qualifications therefor, of each person commissioned from civilian life into the United States Naval Reserve, and the Coast Guard Reserve, during the period June 1, 1945, to July 31, 1945, inclusive, who have not had prior commissioned military service; to the Committee on Naval Affairs.

670. A letter from the Acting Secretary of War, transmitting a report showing the name, age, legal residence, rank, branch of the service, with special qualifications therefor of each person commissioned in the Army of the United States without prior commissioned military service from the period June 1, 1945, to July 31, 1945; to the Committee on Military Affairs.

671. A letter from the Administrative Officer, the White House, transmitting the quarterly estimate of personnel requirements, representing the estimated personnel requirements for the White House Office for the quarter ending September 30, 1945; to the Committee on the Civil Service.

672. A letter from the Secretary, Smithsonian Institution, transmitting the quarterly estimate of personnel requirements for the Smithsonian Institution for the quarter ending September 30, 1945; to the Committee on the Civil Service.

673. A letter from the Director, Office of Economic Stabilization, transmitting the quarterly estimate of personnel requirements for the Office of Economic Stabilization for the quarter ending September 30, 1945; to the Committee on the Civil Service.

674. A letter from the Archivist of the United States, transmitting a report on records proposed for disposal by various Government agencies; to the Committee on the Disposition of Executive Papers.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. SABATH: Committee on Rules. House Resolution 339. Resolution providing for the consideration of H. R. 3660, a bill to provide for financial control of Government corporations; without amendment (Rept. No. 942). Referred to the House Calendar.

Mr. MAY: Committee on Military Affairs. H. R. 3951. A bill to stimulate volunteer enlistments in the Regular Military and Naval Establishments of the United States; without amendment (Rept. No. 943). Referred to the Committee of the Whole House on the State of the Union.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 3882) granting an increase of pension to James L. Huston, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. MAY:

H. R. 3951. A bill to stimulate volunteer enlistments in the Regular Military and Naval Establishments of the United States; to the Committee on Military Affairs.

By Mr. BEALL:

H. R. 3952. A bill to repeal the automobile-use tax; to the Committee on Ways and Means.

By Mr. BRUMBAUGH:

H. R. 3953. A bill to restore standard time; to the Committee on Interstate and Foreign Commerce.

By Mr. FLOOD:

H. R. 3954. A bill to effect a reduction in the individual income tax by increasing the normal tax exemption and the surtax exemption from \$500 to \$1,000, and by increasing the exemption for dependents from \$500 to \$800; to the Committee on Ways and Means.

By Mr. HOWELL:

H. R. 3955. A bill to establish the peace force and to stimulate volunteer enlistments for occupation duties; to the Committee on Military Affairs.

By Mr. KNUTSON:

H. R. 3956. A bill to repeal the act establishing daylight-saving time; to the Committee on Interstate and Foreign Commerce.

By Mr. MORRISON:

H. R. 3957. A bill to repeal the War Labor Disputes Act; to the Committee on Military Affairs.

H. R. 3958. A bill to continue in effect the reemployment rights of veterans after the termination of other provisions of the Selective Training and Service Act of 1940, as amended; to the Committee on Military Affairs.

By Mr. PRICE of Illinois:

H. R. 3959. A bill to provide for the burial in the Memorial Amphitheater of the National Cemetery at Arlington, Va., of the remains of an unknown American soldier who lost his life while serving overseas in the armed forces of the United States during the Second World War; to the Committee on Military Affairs.

By Mr. RANKIN:

H. R. 3960. A bill to adopt generally September 16, 1940, date of enactment of the Selective Training and Service Act of 1940, as the beginning date of World War II for the purposes of all benefits under laws

administered by the Veterans' Administration; to the Committee on World War Veterans' Legislation.

By Mr. RANKIN (by request):

H. R. 3961. A bill to amend the Social Security Act, as amended, to provide for the payment of monthly insurance benefits to widows of individuals who died before January 1, 1940; to the Committee on Ways and Means.

By Mr. REES of Kansas:

H. R. 3962. A bill to establish a Division of Printing Control in the Office of the Bureau of the Budget, and for other purposes; to the Committee on Printing.

By Mr. SCHWABE of Oklahoma:

H. R. 3963. A bill to make the provisions of the Internal Revenue Code granting percentage depletion with respect to fluorspar permanent; to the Committee on Ways and Means.

H. R. 3964. A bill to amend Public Law 403, Seventy-seventh Congress; to the Committee on Interstate and Foreign Commerce.

By Mr. VOORHIS of California:

H. R. 3965. A bill to amend the National Housing Act and for other purposes; to the Committee on Banking and Currency.

By Mr. RANDOLPH:

H. J. Res. 233. Joint resolution for acquisition of British islands in the Caribbean and British Honduras; to the Committee on Foreign Affairs.

H. R. Res. 234. Joint resolution for the acquisition of French islands in the Caribbean and the North Atlantic Ocean; to the Committee on Foreign Affairs.

By Mr. PRICE of Illinois:

H. J. Res. 235. Joint resolution to provide for termination of the act of January 20, 1942, providing for daylight-saving time; to the Committee on Interstate and Foreign Commerce.

By Mr. ANGELL:

H. Con. Res. 78. Concurrent resolution to repeal Public Law 403, and reinstate standard time provided in the act entitled "An act to save daylight and to provide standard time for the United States," approved March 19, 1918, as amended; to the Committee on Interstate and Foreign Commerce.

By Mr. SCHWABE of Oklahoma:

H. Con. Res. 79. Concurrent resolution setting the date for the discontinuation of daylight-saving time; to the Committee on Interstate and Foreign Commerce.

By Mr. ALLEN of Illinois:

H. Res. 337. Resolution inviting Lieutenant General Wainwright to appear before a joint session of Congress; to the Committee on Rules.

By Mr. VINSON:

H. Res. 338. Resolution providing for the consideration of H. R. 1862, a bill relating to the rank of chiefs of bureaus in the Navy Department, and for other purposes; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the National Constituent Assembly of El Salvador, expressing its joy over the victory, and hopes for the establishment of a lasting peace; to the Committee on Foreign Affairs.

Also, memorial of the House of Representatives of Colombia, sending greetings on the occasion of a new anniversary of the glorious independence of the United States of America; to the Committee on Foreign Affairs.

Also, memorial of the House of Deputies of Peru, memorializing the President and the Congress of the United States with regard to the Government of Spain; to the Committee on Foreign Affairs.

Also, memorial of the Chamber of Deputies of Peru, memorializing the President and the Congress of the United States with regard to the establishment of diplomatic and commercial relations with the Union of the Soviet Socialist Republics; to the Committee on Foreign Affairs.

Also, memorial of the Grand National Assembly of Turkey, expressing joy over the unconditional surrender of Japan; to the Committee on Foreign Affairs.

Also, memorial of the Congress of Costa Rica, expressing satisfaction at the cessation of hostilities; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BUNKER:

H. R. 3966. A bill authorizing the Secretary of the Interior to convey certain lands situated in Clark County, Nev., to the Boulder City Cemetery Association for cemetery purposes; to the Committee on the Public Lands.

By Mr. CANNON of Florida:

H. R. 3967. A bill for the relief of Ahto Walter, Lucy Walter, and Teddy Walter; to the Committee on Claims.

H. R. 3968. A bill for the relief of the estate of Charles W. Stewart; to the Committee on Claims.

By Mr. FALLON:

H. R. 3969. A bill for the relief of Robert E. Barry; to the Committee on Claims.

By Mr. LANDIS:

H. R. 3970. A bill for the relief of John Hames; to the Committee on Claims.

By Mr. THOMAS of New Jersey:

H. R. 3971. A bill for the relief of Charles A. Clark; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1120. By Mr. WELCH: Resolution No. 4858 of Board of Supervisors of the City and County of San Francisco, urging retention of steel plants on the Pacific coast; to the Committee on Banking and Currency.

1121. By the SPEAKER: Petition of the South Dakota Reclamation Association, peti-

tioning consideration of their resolution with reference to the land and water resources of the Missouri River Basin, and other pertinent projects; to the Committee on Rivers and Harbors.

1122. Also, petition of the American Legion of Kings County, Department of New York, petitioning consideration of their resolution with reference to the reemployment of World War II veterans, to the Committee on Military Affairs.

1123. Also, petition of the president, chamber of commerce, Houston, Tex., petitioning consideration of their resolution with reference to urging the amendment of H. R. 3603; to the Committee on the Merchant Marine and Fisheries.

1124. Also, petition of the board of supervisors, Kern County, Calif., petitioning consideration of their resolution with reference to continued operations of steel plants on the Pacific coast; to the Committee on Banking and Currency.

1125. Also, petition of the South Central Jurisdictional Council of the Methodist Church, Texarkana, Tex., petitioning consideration of their resolution with reference to their protest to the passage during the war of universal compulsory military training as a peacetime measure; to the Committee on Military Affairs.

1126. Also, petition of the Tennessee Business Men's Association, Inc., petitioning consideration of their resolution with reference to taxation; to the Committee on Ways and Means.

1127. Also, petition of the Illinois State CIO Political Action Committee, petitioning consideration of their resolution with reference to their endorsement of the Wagner-Murray-Dingell social security bill, and other pertinent legislation; to the Committee on Ways and Means.

1128. Also, petition of Mrs. Blanche Tucker, Burwell, Nebr. and others, petitioning consideration of their resolution with reference to House bills 2229 and 2230 and Senate bills 690 and 809; to the Committee on Ways and Means.

1129. Also, petition of the Peace Campaign, Mount Vernon, N. Y., petitioning consideration of their resolution with reference to a Christian peace in Europe; to the Committee on Foreign Affairs.

1130. Also, petition of Local 72, United Automobile-Aircraft-Agricultural Implement Workers of America (UAW-CIO), petitioning consideration of their resolution with reference to the contribution by the Federal Government to the social-security fund of moneys equal to earnings of \$50 per week for the period of all enlistments, inductions or commissions in the armed forces of the United States in time of war, to include the present conflict; to the Committee on Ways and Means.

1131. Also, petition of the board of water commissioners, Denver, Colo., petitioning consideration of their resolution with reference to their disapproval of House bill 555; to the Committee on Rivers and Harbors.

CONSIDERATION OF H. R. 3660

SEPTEMBER 6, 1945.—Referred to the House Calendar and ordered to be printed

Mr. SABATH, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 339]

The Committee on Rules, having had under consideration House Resolution 339, reports the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 204

79TH CONGRESS
1ST SESSION

H. RES. 339

[Report No. 942]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 6, 1945

Mr. SABATH, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That immediately upon the adoption of this
2 resolution it shall be in order to move that the House resolve
3 itself into the Committee of the Whole House on the State
4 of the Union for the consideration of the bill (H. R. 3660)
5 to provide for financial control of Government corporations;
6 that after general debate, which shall be confined to the
7 bill and shall continue not to exceed four hours, to be equally
8 divided and controlled by the chairman and the ranking
9 minority member of the Committee on Expenditures in
10 the Executive Departments, the bill shall be read for
11 amendment under the five-minute rule. At the conclusion
12 of the reading of the bill for amendment the Committee shall

1 rise and report the same back to the House with such
2 amendments as shall have been adopted and the previous
3 question shall be considered as ordered on the bill and
4 amendments thereto to final passage without intervening
5 motion except one motion to recommit.

House Calendar No. 204

79TH CONGRESS
1ST SESSION

H. RES. 339

[Report No. 942]

RESOLUTION

Providing for the consideration of H. R. 3660,
a bill to provide for financial control of
Government corporations.

By Mr. SABATH

SEPTEMBER 6, 1945

Referred to the House Calendar and ordered to be
printed

7. NOMINATIONS. Received the nominations of Harrington Wimberly and Richard Sachse to be members of the Federal Power Commission (p. 8683).
Territories and Insular Affairs Committee reported favorably the nominations of Paul V. McNutt to be U.S. High Commissioner of the Philippines and Donald D. Russell and William Benton to be Assistant Secretaries of State (p. 8683).
8. PERSONNEL. Agreed to Sen. Downey's (Calif.) unanimous consent request to report during recess several bills approved by the Civil Service Committee (p. 8683).
9. PERSONNEL; POST-WAR INVESTIGATION. Civil Service Committee reported with amendment S. Res. 172, to investigate certain economic questions in the Pacific Coast and Rocky Mountain States resulting from the termination of the war, including population shifts resulting from separation from industrial and government employment and disposition of surplus property (p. 8662).
10. AIR TRANSPORTATION. Interstate Commerce Committee submitted a report pursuant to S. Con. Res. 25, favoring an extension of the air-transportation system to small cities and towns (S.Rept. 558) (p. 8662).
11. AIRPORT BILL. Passed with amendment S.2, to provide for Federal aid for the construction, etc., of public airports (pp. 8664-81).
12. ADJOURNED until Fri., Sept. 14 (p. 8683).

BILLS INTRODUCED

13. PERSONNEL; RETIREMENT. S. 1384, by Sen. Gordon, Oreg., to amend the Civil Service Retirement Act so as to provide for recomputation of annuities of employees who retired prior to Jan. 24, 1942. To Civil Service Committee. (p. 8662).
14. PERSONNEL; LEAVE. H.R. 4005, by Rep. Lane, Mass., to amend Public Law 525, 78th Cong., to provide for the payment to certain Government employees for accumulated or accrued annual leave due upon their separation from service. To Civil Service Committee. (p. 8715)

ITEMS IN APPENDIX

15. FOREST FIRES. Extension of remarks of Rep. Angell, Oreg., favoring forest-fire prevention work and including The Timber Operators Association article on this subject (pp. A4152-3).
16. PRICE CONTROL. Rep. Kopplemann, Conn., inserted J.H. Brady's article favoring Federal support of incomes and price controls (p. A4153).
17. GOVERNMENT REORGANIZATION. Rep. McKenzie, La., inserted a Washington Star editorial favoring reorganization in the executive branch (p. A4158).
18. SURPLUS PROPERTY. Sen. Stewart, Okla., inserted a constituent's letter favoring sale of surplus property to veterans (p. A4162).
19. RECONVERSION PROGRAM. Rep. Rich, Pa., inserted a Bristol Courier editorial criticizing the President's reconversion program, stating he wants "to pretend the war isn't over" (p. A4163).
20. CHILD CARE. Extension of remarks of Rep. Doyle, Calif., including several communications, urging continuance of Federal aid to child-care centers (pp. A4165-6).

COMMITTEE HEARINGS ANNOUNCEMENT for Sept. 13: S. Bank. and Curr.; full-employment bill(ex).

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued September 13, 1945, for actions of Wednesday, September 12, 1945)

(For staff of the Department only)

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HIGHLIGHTS: Senate passed bill providing for a single Surplus Property Administrator. Sen. Wherry criticized meat rationing. House passed bills to repeal daylight-saving time and for financial control of Government corporations. Rep. Cannon commended crop-insurance program.

HOUSE

1. GOVERNMENT CORPORATIONS. Passed without amendment H.R. 3660, to provide for financial control of Government corporations (pp. 8692-710). (For provisions of bill see Digest 135.) Rejected Rep. Flannagan's (Va.) amendment to eliminate agencies now audited by FCA examiners at least annually (pp. 8709-10).
2. DAYLIGHT-SAVING TIME. Passed without amendment H.R. 3974, to provide for the termination of daylight-saving time on Sept. 30, 1945 (pp. 8686-92). During debate several members stated that repeal would be beneficial to farmers. Reps. Cannon, Mo., and others discussed the crop-insurance program (pp. 8683-90).
3. GOVERNMENT IN BUSINESS. Rep. Rich. Pa., urged that "Congress do something to take the Government out of business, eliminate many of the departments and consolidate others so that people...will know the Government is not interfering with them" (p. 8686).
4. STATE FAIRS. Rep. Harness, Ind., urged the return of State fairgrounds to the States to assure resumption of State fairs next year (p. 8710).

SENATE

5. SURPLUS PROPERTY. Passed without amendment H.R. 3907, to provide for a single Surplus Property Administrator (pp. 8682-3). This bill will now be sent to the President.
and
6. MEAT RATIONING. Sen. Wherry, Nebr.,/others discussed the meat situation and Sen. Wherry urged discontinuance of meat rationing (pp. 8662-4).

people, I do not believe it aided agriculture or industry or our service activities or our professions, and I am therefore glad to get rid of this law. The problems of peace are generally as great as those of war. We well know war comes out of bad conditions in peacetime. If such a law was a great aid to war production, could we not effectively argue it would assist peacetime production?

Mr. HOLMES of Massachusetts. Mr. Speaker, I yield such time as he may desire to the gentleman from Iowa [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Speaker, I am heartily in favor of this bill. It will be welcome news to the farmers and people of Iowa. Daylight saving has worked a hardship on the Iowa farmer but they were willing to put up with it as long as it was necessary for the war effort. Now that it is no longer necessary for the war effort it will be a great relief to the people of Iowa to get back to standard time. I congratulate the committee for reporting the bill at this time and hope it passes the House quickly and unanimously.

(Mr. CUNNINGHAM asked and was given permission to revise and extend his remarks.)

Mr. HOLMES of Massachusetts. Mr. Speaker, I yield such time as he may desire to the gentleman from Iowa [Mr. TALLE].

STANDARD TIME SHOULD BE RESTORED

Mr. TALLE. Mr. Speaker, I commend the Committee on Interstate and Foreign Commerce for bringing the pending measure before the House for action so soon after the reconvening of the Congress.

The enactment of this bill will accomplish the purpose of the concurrent resolution which I introduced the day the Congress resumed work following the summer recess.

It is the general opinion of the people in my district that there can be no good argument advanced in support of the continuation of so-called daylight-saving time, now that the war has been ended. In 1942 the hands of the clock were moved forward 1 hour in the name of wartime emergency. It would be pointless at this time to debate whether that move was necessary or constructive. The important thing is the fact that the emergency is ended and the clock should be reset and standard time reestablished.

Some people may not understand why moving the hands of the clock forward 1 hour causes any hardship to anybody or makes any difference in the length of anybody's effective workday. But most people do, and the farmer surely knows the difference and the hardship. For instance, he cannot go into his fields to harvest crops before the dew has been cleared away. The sun alone can do that job, and the rising and the setting of the sun cannot be changed by law, by Presidential order, or otherwise. For reasons well known to the farmer, he can carry on his business most effectively when our Nation's economy is geared to standard time.

Most people will welcome the return to standard time. The farmer surely will. He carried a heavy burden during the

war years, and he is still carrying that toilsome burden. Certainly, the Congress cannot do less than to approve a bill which will restore standard time and by that act cooperate with him in his program of food production which is so essential to the welfare of the Nation.

Mr. Speaker, I earnestly hope that this bill may become law without delay. Not a single vote should be registered against it.

(Mr. TALLE asked and was given permission to revise and extend his remarks.)

Mr. BOREN. Mr. Speaker, I yield such time as he may desire to the gentleman from Louisiana [Mr. BROOKS].

Mr. BROOKS. Mr. Speaker, may I say that I introduced one of the bills on this subject and I am very happy to see it acted upon so promptly by the House of Representatives. I hope that it will be acted upon just as promptly by the Senate as it will be by the House of Representatives within the next few minutes.

Daylight-saving time is a product of the war. The emergency for war saving time is now over and the people of the United States want to see the law repealed at once. With many groups of people in my section of the United States, war saving time was a serious inconvenience. With many other groups of people it was a positive hardship. Under the operation of this unnatural time schedule, our people have grown weary, and they want to return to the time which the Almighty in His wisdom established for mankind. The farmer has been compelled to arise uselessly early under the operation of the war saving time. The dairyman has burned the light and fuel necessary for the predaylight hours. In the depth of winter, the business man and woman, and even the housewife, has been compelled to arise before daybreak, using fuel and electricity to begin the daily work.

In the minds of our people, peace means a return to normalcy. A repeal of the war saving time act is another stage along the road that leads away from war and back to the land of peace.

(Mr. BROOKS asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. HOLMES of Massachusetts. Mr. Speaker, I yield such time as he may desire to the gentleman from Ohio [Mr. BREHM].

Mr. BREHM. Mr. Speaker, the first speech I made on the floor of the House was on the subject of daylight-saving time.

(Mr. BREHM asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. COLE of Missouri. Mr. Speaker, there is little that I can add to that which has already been said in support of this important legislation. However, I want to thank the Committee on Interstate and Foreign Commerce for bringing this bill up for consideration. I also want to thank the subcommittee of this committee, headed by my able colleague the gentleman from Oklahoma, LYLE BOREN, for the courtesies shown me when I appeared before this subcommittee in support of this legislation.

It is indeed high time that we return to standard time. Since July 20, 1942, our Nation has been on what is referred to as "war time." This arrangement has resulted in untold inconveniences and hardships to the people of our great country, particularly in the rural sections thereof, with no material contribution to the war effort.

I realized the folly of the so-called war time soon after coming to Congress in 1943, and, on January 26 of that year, I introduced a concurrent resolution to repeal Public Law 403 of the Seventy-seventh Congress and reinstate standard time. This resolution was the first effort to be made by any Member toward the repeal of the so-called war time. Thereafter, my legislation received the support of many of my colleagues on both sides of the aisle and several other resolutions and bills similar to mine were introduced during the Seventy-eighth Congress. Later a hearing was granted before a subcommittee of the Committee on Interstate and Foreign Commerce. However, we who supported this legislation did not meet with success during the Seventy-eighth Congress. Therefore, when the Seventy-ninth Congress convened, I reintroduced my resolution. Many other similar resolutions were also introduced, and the people again let it be known through correspondence with their Representatives and through the medium of the press that they favored a return to standard time at the earliest possible date.

I was indeed pleased when our President announced shortly after VJ-day that he, too, favored this legislation. I know of no serious opposition to this bill and hope that none will develop as it is of the utmost importance to our people and our Nation that we now return to standard time. Therefore, I sincerely hope that this bill will be speedily passed by both the House and Senate in order that it may become law in time to set our clocks back on September 30, 1945, as provided in the bill.

Mr. BOREN. Mr. Speaker, may I say that a good many Members of the House have taken a keen interest in this subject. The gentleman from North Carolina [Mr. BULWINKLE], the gentleman from Arkansas [Mr. HARRIS], on the majority side, and the gentleman from Illinois [Mr. HOWELL] and the gentleman from Minnesota [Mr. O'HARA], on the minority side have all presented bills. The gentleman from Georgia [Mr. BROWN] has been one of the leading advocates of repeal of this measure. There have been quite a number of other Members of the House, all of whom we have tried to list in the report in order to note their interest and action on this subject. They have been interested in the matter and have taken an active part in the work that we are consummating today.

Mr. Speaker, I want to say just one word about the pending bill and the measure it is intended to repeal. There was a time when this Nation was in dire circumstances in attempting to gather together all of the possible forces of production. Evidence was presented to a great committee of this House that there would be saving of power and that there would be a great addition to the produc-

tive power of this country if what we called daylight-saving time were enacted. It has been clearly shown to the committee that there has been a saving in electrical energy which was critically short in the great productive enterprises of this country during the war.

The following letter to Chairman LEA from Donald Nelson when we were considering this subject in 1944 clearly set forth the values the temporary measure gave to the war effort. I quote:

WAR PRODUCTION BOARD,
Washington, D. C., May 3, 1944.

HON. CLARENCE F. LEA,
Chairman, Committee on Interstate
and Foreign Commerce, House of Rep-
resentatives, Washington, D. C.

DEAR MR. CHAIRMAN: Your letter of April 7 requests my views on H. R. 4489, a bill to restore standard time.

The War Production Board is strongly opposed to the abandonment of war time at this stage of the war. This year, our utility systems will be called upon to supply 16,000,000 kilowatts of electric power for war production and facilities; they must also supply 22,000,000 kilowatts for other uses. The total load is the highest in history. Repeal of war time would immediately add to these unprecedented loads another 1,500,000 kilowatts and would require an extra million tons of coal annually. These figures are not the production of guesswork. They represent the savings actually effected by war time last year. Now, when the resources of the Nation are being strained to the limit to support our most critical military effort, the loss of these savings would be serious. Some idea of the importance of the power savings can be gathered from the fact that 1,500,000 kilowatts is enough to supply the greater part of our aluminum load and more than enough for all our shipbuilding.

The problem that confronts us in maintaining adequate electric supply is to provide enough electric generating, transmission, and distribution facilities to meet the peak power requirements. Without war time, a sharp peak occurs on most utility systems toward the end of the day as the lights are turned on in commercial establishments, in homes and on the streets. With war time, this extra load is postponed until later in the evening, after the industrial load begins to slack off; the additional illuminating load which wartime causes in the darker morning hours occurs before most industrial activities have gotten to full capacity.

Thus, war time reduces the evening peak sharply, the reduction is not offset by the increase in the morning, and the net effect is to give a lower over-all daily peak. This means that we can supply our total power requirements with substantially less electric facilities than would be necessary without war time. It also means that we save fuel, first, because we do not need to operate our less-efficient generating stations over such long periods and, second, because the added morning load, due to war time, is never as great as the saving in evening load which it effects. It should be emphasized again that these results of war time are not based upon theory but upon actual operating experience during 1942 and 1943.

Our electric utility systems, thanks to war time and the other measures which the utilities and the Government are carrying out, will be able to assure an adequate supply of electric power for all necessary purposes for the duration. But, if another 1,500,000 kilowatts were suddenly superimposed upon existing requirements—the consequence of repealing war time—we would be threatened with power shortages which could not be met except by curtailing war production or rationing power for civilian use. Nor can we carry this additional burden by increasing the

present power-expansion program. We could not provide the material, equipment, and manpower for the job without interfering with important military needs. In any case, even if the resources could be made available, it would take 2 years to expand our power systems sufficiently so that they could safely supply the necessary war loads and the increase in requirements that repeal of war time would bring about.

I recommend that H. R. 4489 should not be adopted at this time. I recognize the inconveniences which war time causes and I am anxious that the country should be relieved of them the moment the course of the war permits. But a return to standard time now would be a blow to the war effort which the country cannot afford.

The Bureau of the Budget has advised that it has no objection to the submission of this report.

Sincerely,

DONALD M. NELSON.

The present act has, no doubt, served a good purpose, but it was intended to be a temporary measure, and the Democratic Party, from the President of the United States and the Speaker of the House on down the line, have been prompt in seeing to it that immediately upon cessation of hostilities that this temporary measure which has served its wartime purposes is repealed and the American people again given standard time.

Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

Mr. SABATH. Mr. Speaker, I call up House Resolution 339 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3660) to provide for financial control of Government corporations; that after general debate, which shall be confined to the bill and shall continue not to exceed 4 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Expenditures in the Executive Departments, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same back to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SABATH. Mr. Speaker, this resolution provides for an open rule which makes in order for immediate consideration an extremely important measure of legislation, namely, H. R. 3660, providing for the financial control of Government corporations. It provides for 4 hours of general debate after which it will be read for amendment under the 5-minute rule. Before discussing the delay for this much needed legislation, I want to compliment the Committee on Expenditures in the executive departments, especially

the chairman of the committee, the gentleman from Alabama [Mr. MANASCO], and the gentleman from Mississippi [Mr. WHITTINGTON], for the efficient manner in which they presented the request for the rule. During my many years of service as a member of the Committee on Rules and presently serving as its chairman, I have never listened to any chairman or a member of a committee urge or present an application for a rule on a bill with such convincing clarity and understanding intelligence of a subject matter as was expressed by these Members of the House.

Mr. Speaker, this bill, as reported by the committee, proposes to bring the Government financial corporations, of which there are 101, within the control and scrutiny of the Congress under the supervision of its regular fiscal agencies. I have prepared a résumé of what the bill actually aims to accomplish, but, appreciating the knowledge and authority of the chairman of the committee the gentleman from Alabama [Mr. MANASCO], and of the gentleman from Mississippi [Mr. WHITTINGTON] on the subject matter of the bill, I shall refrain from attempting to explain its provisions and shall not detain the House. These gentlemen have given the bill many months of hard study and due credit must be given them in drafting the provisions of the bill.

Mr. Speaker, before taking the floor, I prepared a résumé of what the bill aims to do, but, on second thought, I shall leave to the able gentlemen whom I have mentioned, together with other able members of the committee, the opportunity of giving a detailed explanation and the effect of the provisions of the bill when enacted into law.

I shall not take up the time of the House, with the exception of saying that this is a unanimous report from the Committee on Expenditures in the Executive Departments. It is endorsed by the President and every member of the Cabinet and was urged by the late President, Franklin D. Roosevelt.

Mr. Speaker, it is for the first time in years that I have observed the United States Chamber of Commerce has endorsed legislation recommended by the Democratic administration. Their action made me give diligent study to the bill. But even they are entitled to be right once in a great while, and in this instance I think they have come to the conclusion that it would be unwise on their part to oppose to bill, it being a meritorious and long-delayed piece of legislation. Undoubtedly, they came to the conclusion that it was legislation in the right direction and approved its passage.

The bill, as I have stated, applies to about 101 governmental corporations with assets of about \$29,000,000,000, with liabilities of \$28,000,000,000, and a capitalization of less than one and a half billion dollars. To save the time of the House, I ask unanimous consent that a résumé on the bill which I have prepared be included as a part of my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SABATH. Mr. Speaker, in conclusion, I want to again compliment the committee upon its splendid work, study, and preparation of the bill which they have unanimously reported for the consideration of the House. Here I insert my résumé in explanation of the provisions of the bill which I feel will to some degree give its effect when enacted into law.

RESUMÉ IN EXPLANATION OF THE PROVISIONS OF
H. R. 3660

During the last 25 years Government corporations have assumed a role of increasing importance in the financial structure of the Government. However, during that time there has been developed no over-all financial coordination and control of such corporate activities comparable to those provided by the Budget and Accounting Act of 1921 for the regulation of Government departments and establishments. That act, designed to provide a budget system and an independent audit for Government expenditures, was enacted at a time when Government corporations did not form an important part of the total governmental financial picture. Aside from the Panama Railroad Company and the Federal land banks, the Government corporations then in existence were wartime corporations even then in various states of liquidation. With the exception of the Federal intermediate credit banks and the Inland Waterways Corporation, this situation continued practically unchanged until the creation of Reconstruction Finance Corporation in 1932. The establishment of this corporation marked the advance of Government into new fields of economic activity, a trend which has continued until today there are 101 separate corporations engaged in various fields of production, transportation, generation of power, loans, housing, insurance, and other lines of business.

The magnitude of the operations of Government corporations is evident from an analysis of their combined balance sheets as of March 31, 1945. As of that date gross assets of these corporations amounted to \$29,600,000,000, gross liabilities totaled \$28,400,000,000, and net worth amounted to \$1,200,000,000. Of the total gross assets, the major items after taking out reserves for valuation and estimated losses, consisted of \$13,300,000,000 in loans receivable; \$7,800,000,000 in land, structures, and equipment; \$2,900,000,000 in commodities, supplies, and materials, \$2,100,000,000 in investments; and \$1,600,000,000 in other receivables. Of the total gross liabilities, \$22,000,000,000 were in bonds, notes, and debentures issued by the corporations, of which \$11,600,000,000 were held by the Treasury, \$8,100,000,000 were held by Government corporations, and \$2,300,000,000 were held by the public. It is also significant to note that during the 9 months ended March 31, 1945, the financing, investment, and lending operations reported by the corporations reflect, on a combined basis, borrowings of \$7,900,000,000 and repayment of borrowings of \$7,500,000,000; investments of corporate funds of \$600,000,000 and repayment of investments of corporation

funds of \$800,000,000; and loans made of \$6,600,000,000 and repayments of loans of \$6,800,000,000.

In the past decade there has been increasing awareness in the legislative and the executive branches that the financial program of the Government cannot be effectively coordinated without some control over Government corporations. At the same time, it has been recognized that Government corporations were created to conduct their activities with a freedom thought to be inconsistent with the types of financial control applicable to the regular Government departments and agencies. While various steps have been taken, from time to time by the President and the Congress to bring Government corporations under some measure of financial control, the type and degree of control effected has varied widely among the corporations, often without regard to the real needs of the situation or the relation of the corporation to the general financial program of the Government.

The purposes of this bill are strongly endorsed by the Comptroller General of the United States and the Secretary of the Treasury.

The power of the purse is one of the most important powers reserved to the Congress in the Constitution. In the case of many Government corporations the Congress has not adequately exercised its power to control public expenditures. This bill is designated to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof through the regular fiscal agencies of the Government.

It is recognized that there are certain activities of Government that can be more effectively administered through the corporate device than by a regular agency. Therefore the development of financial control must necessarily take into account certain peculiarities of the corporate device, since to do otherwise might impair the ability of the corporations to carry out their statutory responsibilities. However, care is taken in the bill to the end that the application of any financial control by the Congress or the executive branch of the Government will not hamper the corporations in the execution of their authorized program. The bill is designed to coordinate the financial operations of the corporations with those of the Government in general. Due to their magnitude, the financial transactions of Government corporations have a distinct bearing upon the general financial condition and fiscal policies of the Government. Properly administered, the requirements of this bill should facilitate the operations of the corporations by giving them a periodic opportunity to appear before the Congress and justify their programs. This bill provides for an annual congressional scrutiny of the entire operations of all wholly owned Government corporations and a review of their programs for the ensuing fiscal year.

The bill distinguished between wholly-owned Government corporations, in which the Government holds all the stock or other capital interests, and

mixed-ownership Government corporations, in which the Government has only a partial interest. As to wholly-owned corporations, it provides a business-type budget to be incorporated as a part of the annual Budget of the Federal Government. As to both classes of corporations, it provides for an annual commercial-type audit by the General Accounting Office and a report thereof to the Congress. With certain exceptions, the bill also provides for an over-all Treasury control of the depositaries, financing, and Government security transactions of all Government corporations.

Attention is called to the fact that there are still in existence certain corporations established during World War I which should have been completely liquidated years ago. This situation should be corrected under the provisions of this bill, since the annual scrutiny of each corporation's operations should permit the Congress to take whatever steps are required to assure liquidation of the corporation when it is no longer required for the purpose for which it was originally established. The bill comes from the Committee on Expenditures in the Executive Departments with unanimous approval.

(Mr. SABATH asked and was given permission to revise and extend his remarks.)

Mr. SABATH. Mr. Speaker, I yield 30 minutes to my congenial, well-informed friend, the gentleman from Michigan, [Mr. MICHENER].

Mr. MICHENER. Mr. Speaker, after the explanation of the bill by our distinguished chairman, and in view of the technicalities inherent in the bill, I am not going to attempt to enter into a discussion of the provisions of the bill, other than to say that I know of no Member of the House who is opposed to it. The committee reporting the bill has demonstrated before the Committee on Rules that it is fully and adequately advised, and I hope the Members will listen to the explanation of the bill by the members of the Legislative Committee who thoroughly understand it. The Rules Committee has performed its function and brought the bill before the House for action. I have no requests for time, Mr. Speaker.

Mr. SABATH. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

Mr. MANASCO. Mr. Speaker, I ask unanimous consent that all Members who speak on the bill in Committee be permitted to include in their remarks certain tables, excerpts, and other extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. MANASCO. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3660) to provide for financial control of Government corporations.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 3660, with Mr. COOLEY in the chair.

The first reading of the bill was dispensed with.

Mr. MANASCO. Mr. Speaker, I yield 5 minutes to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN. Mr. Speaker, I heartily concur in what both the gentleman from Illinois [Mr. SABATH] and the gentleman from Michigan [Mr. MICHENER] have said in reference to the author of this bill the gentleman from Mississippi [Mr. WHITTINGTON] and also the chairman of the committee the gentleman from Alabama [Mr. MANASCO]. For nearly 20 years the gentleman from Mississippi [Mr. WHITTINGTON] and I have served on committees together. I know of no man in this House who understands more fully legislation, of which he is the author, and who is more thorough in explaining that legislation, than the gentleman from Mississippi. It is the same in reference to legislation that comes from any committee of which he is a member. Listen to his explanation of this bill.

We have all heard a lot about checks and balances. The legislative branch of the Government checks the executive branch of the Government, then the judicial branch of the Government checks both the legislative branch and the executive branch. But there are dozens of corporations with billions of dollars of Government money at their disposal that are not subject to any check except by private auditors that they employ. Briefly, the purpose of this legislation is to have a check upon these Government corporations where the stock is wholly owned by the Government or where it is partially owned by the Government.

As far as I know, the only opposition to this legislation comes from some, I say some, not all officials of some of these corporations. There is no reason why any Government corporation should not be checked by the Comptroller General and there is no reason why they should not be required to explain their budget to our Committee on Appropriations. This bill provides for that. It is true that the bill also provides that in certain instances under regulations laid down by the Comptroller General the corporation will be allowed to operate on what might be termed a commercial basis. That undoubtedly is necessary. To say that these corporations which have involved over twenty billions of dollars should be permitted to continue as they have in the past without an audit by the Comptroller General cannot be defended. Of course, the corporations are not to blame. The truth of the matter is we are to blame because we did not provide for audit by the Comptroller General in the original law. That mistake by the Congress is corrected by this legislation.

I now yield to the gentleman from Pennsylvania [Mr. RICH], a member of the committee.

Mr. RICH. Might I call attention to one statement made by the gentleman where he said that the gentleman from Mississippi [Mr. WHITTINGTON] knows

more about these corporations than anyone else and can probably explain this bill better. I wonder whether the gentleman would not put Mr. Lindsay Warren in that class, a man who I believe is more familiar with these Government corporations than any other man I know. I am not detracting from the honor that the gentleman from Mississippi [Mr. WHITTINGTON] may have in this connection.

Mr. COCHRAN. The gentleman from Pennsylvania misunderstood my statement. What I did was to pay a tribute to the gentleman from Mississippi [Mr. WHITTINGTON] who is the author of this legislation. His knowledge of its provisions and the necessity for such a law. I repeat, there is no Member of the House who will more thoroughly present an argument as to why a bill he introduced be enacted than the gentleman from Mississippi [Mr. WHITTINGTON]. I did not say Mr. WHITTINGTON knows all about the corporations because no one on the outside does.

Mr. RICH. I agree with the gentleman as to that.

Mr. COCHRAN. I never question Mr. Warren's ability. The gentleman from Pennsylvania knows what I think about Mr. Warren. The truth of the matter is Mr. Warren has not had an opportunity to learn anything about the corporations because the doors are shut to him under existing law.

Mr. RICH. And we ought to open it up today.

Mr. COCHRAN. That is what we are going to do in the passage of this legislation. When this bill becomes a law and Mr. Warren gets an opportunity to see how these corporations actually operate then he will know something and so will we because it is his duty under the law to report to us.

Let us pass this legislation. I feel confident that when it does become a law you will see many reforms because many officials know now Mr. Warren will take exception to many of the existing policies.

Mr. MANASCO. Mr. Chairman, with the consent of the gentleman from Michigan [Mr. HOFFMAN] I now yield 30 minutes to the gentleman from Mississippi [Mr. WHITTINGTON], who can more ably present the bill than any member of our committee.

Mr. WHITTINGTON. Mr. Chairman, I am very grateful to my colleagues for their kind personal sentiments and observations.

Mr. GIFFORD. Mr. Chairman, would the gentleman yield to permit me to enlarge on that?

I would like to pay the gentleman a tribute also. I have served with him so long on that committee. He is so thorough and so well understands everything that he presents. I made use of an expression on yesterday when I said no one should praise me unless he himself is worthy of praise. JACK COCHRAN, who praised you, is himself worthy of praise. I hope some time the gentleman who now has the floor or someone else will give JACK COCHRAN the degree of praise he deserves. I think you and I would agree that he understands, perhaps better than any of the rest of us, the work-

ings of all these Government corporations and of the Government structure itself.

Mr. WHITTINGTON. I very thoroughly approve and endorse every word that my friend, the gentleman from Massachusetts has just said, and I gladly join him in tribute to the service, courage, industry, and ability of the gentleman from Missouri, my valued friend, JACK COCHRAN, one of the most industrious and among the most useful Members of the Congress. I wish there were more Jack Cochran in the Congress of the United States. He is able and courageous, battling always for his district and county.

Mr. Chairman, in 1921 the Congress adopted the Budget and Accounting Act, which provided for the control, including the budgeting, of Government departments and agencies, and for the auditing of those departments and agencies by the Comptroller General of the United States, the good right arm and the agent of the Congress.

Mr. HOFFMAN. Mr. Chairman, I make a point of order. This is one of the most important and far-reaching pieces of legislation that has been before the House since the end of the war. I make the point of order that a quorum is not present.

The CHAIRMAN (Mr. COOLEY). The Chair will count. [After counting.] A quorum is not present.

The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 145]

Abernethy	Halleck	Norrell
Anderson, Calif.	Hare	O'Brien, Ill.
Baldwin, N. Y.	Harness, Ind.	O'Brien, Mich.
Beall	Hart	Pace
Bland	Hébert	Peterson, Ga.
Bolton	Heffernan	Pfeifer
Buckley	Hendricks	Phillips
Camp	Herter	Plumley
Campbell	Hobbs	Powell
Cannon, Fla.	Hoeven	Rabaut
Carnahan	Hope	Randolph
Case, S. Dak.	Horan	Rankin
Celler	Huber	Rayfiel
Chilperfield	Jackson	Reece, Tenn.
Clark	Jarman	Reed, Ill.
Clements	Johnson, Ind.	Rivers
Coffee	Johnson,	Robertson,
Cole, Kans.	Luther A.	N. Dak.
Cole, N. Y.	Johnson,	Robinson, Utah
Colmer	Lyndon B.	Rockwell
Courtney	Jones	Roe, N. Y.
Crosser	Jonkman	Sharp
Daughton, Va.	Kee	Sheridan
Dawson	Kefauver	Short
Delaney,	Keogh	Sikes
John J.	Kerr	Simpson, Ill.
Dickstein	King	Simpson, Pa.
Dondero	Larcade	Slaughter
Douglas, Ill.	Lea	Smith, Va.
Drewry	LeFevre	Snyder
Durham	Luce	Somers, N. Y.
Dworshak	Lynch	Starkey
Elliott	McGehee	Stefan
Engel, Mich.	McMillen, Ill.	Stevenson
Feighan	Mahon	Thomas
Fuller	Mansfield,	Tibbott
Gerlach	Mont.	Tolan
Gibson	Marcantonio	Wasielewski
Gillespie	Mason	Weiss
Gore	May	White
Gorski	Merrow	Wickersham
Gossett	Monroney	Winter
Granger	Morgan	Wolcott
Hagen	Mundt	Wolverton, N. J.
Hall,	Murray, Tenn.	Woodrum, Va.
Edwin Arthur	Murray, Wis.	Zimmerman

Accordingly, the Committee rose; and the Speaker, having resumed the chair, Mr. COOLEY, Chairman of the Committee of the Whole House on the State of

the Union, reported that that Committee, having had under consideration the bill H. R. 3660, and finding itself without a quorum, he had directed the roll to be called, when 299 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. WHITTINGTON. Mr. Chairman, the bill under consideration involves the control of the corporate device in governmental agencies and administrations. It comes before you with a unanimous report. The bill is a composite of the views of the members of the committee. A very adequate and comprehensive report has been filed and extensive hearings have been published, and are available to the Congress and the country. The Budget and Accounting Act of 1921 provided for the control and budgeting of Government agencies and departments. Twenty-two years have passed. The first annual budget, for 1923, was in the neighborhood of \$3,000,000,000. The budget for the current year is about \$84,000,000,000. All of those appropriations and expenditures were subject to the provisions of the Budget and Accounting Act. A few corporations had been organized when that act was passed. They were all small and except for the Federal Land banks and the Panama Railroad Company, the corporations were in connection with the first World War and were all substantially in liquidation. No provision was made for their control or for their auditing in the Budget and Accounting Act of 1921.

After the passage of that act and prior to 1932 the Federal intermediate credit banks and the Inland Waterways Corporation were established, but the establishment of the Reconstruction Finance Corporation in 1932 marked a new era in governmental administration and in the utilization of the corporate device in governmental activity. That trend has continued until today there are approximately 101 Government corporations engaged in various fields of economic activity and production, including transportation, housing, insurance, loans, and other lines of business.

The magnitude of Government corporations is staggering. Their total assets, including intercorporate liabilities, amount to about \$29,000,000,000. The largest of all the corporations, of course, is the Reconstruction Finance Corporation. It has assets today of substantially \$11,700,000,000. When we recall the total assets of the largest private corporations in the United States the largest being, as I remember, the American Telephone & Telegraph Co., with assets of about \$5,500,000,000, the Standard Oil Co. of New Jersey, with assets of \$2,250,000,000, the United States Steel, with assets of around \$2,225,000,000; General Motors, with assets of about \$2,500,000,000; we are reminded that the total assets of the Reconstruction Finance Corporation are much larger than the assets of any other corporation in this or any other country, or in this or any other age.

It is fair to say that among the assets of the Reconstruction Finance Corporation are those of defense corporations that have been established for the prose-

cution of the war, for food subsidies, for the production of facilities and of munitions, and of war plants.

I should divide roughly the assets of the Reconstruction Finance Corporation into two classes: First, there are the usual or peacetime functions of the Reconstruction Finance Corporation. My information is that the assets in those functions aggregate \$2,250,000,000. The record shows that since its establishment the RFC, in its usual or peacetime activities, has a surplus of around \$500,000,000, but we have provided for war production and for war facilities and for munitions by authorizing the establishment of corporations and by the Reconstruction Finance Corporation borrowing money from the Treasury for the establishment and operation of those corporations. So that today the RFC owes the Treasury approximately \$9,200,000,000, borrowed or advanced for the establishment of those plants. They are carried, in approximately \$9,000,000,000, among the assets of the Reconstruction Finance Corporation.

The purpose of the legislation under consideration is to provide for the control, by auditing and budgeting, of Government corporations. The purpose of budgeting is to give to the Congress and to the country a view of the financial structure of the United States Government. But when we remember that the assets of these corporations aggregate the totals I have mentioned, as compared with our normal Budget of around nine or ten billion dollars, there is evident the increasing place in the financial picture that Government corporations occupy when we consider our financial structure.

The problem in connection with these corporations was a difficult one. The corporate device was utilized in the first instance by the United States as it is being utilized by other countries, notably Great Britain, for the purpose of enabling the Government to engage in activities that were not strictly routine governmental business, without the limitations and restrictions that ordinary Government establishments would be bound by in their operations; so the problem was an extremely difficult one.

We are dealing here with the auditing and accounting of business corporations rather than the established governmental departments, and we must provide for flexibility both in the auditing and the budgeting of these corporations that will enable them to carry out the functions for which they were established. The hearings were most interesting. The committee had put its cards on the table. There were objections in the first instance by many of these corporations. They asked to be exempted from the provisions of this bill. They said they had done a good job—and they have in most instances. They came before us and said that the Government had provided the money for their capital stock and that they had succeeded and ought not to be subject to the restrictions and auditing of the Government.

Mr. HOFFMAN. Mr. Chairman, would the gentleman care to yield?

Mr. WHITTINGTON. If my colleague will bear with me, I want to yield

to every Member of the House who wishes to interrogate me but I believe it would be helpful for me to complete my general statement, and if I do not anticipate I will gladly answer any questions propounded. There were requests for excepting the loan agencies of the Government. The Farm Credit Administration said, "We were established for the purpose of providing farm credit; to bring us within the audit provisions applicable to the Government would put us in a strait-jacket and prevent our accomplishing the purposes for which we were established." We replied, "Is it thinkable that now the Congress that provided the language that enabled you to function and carry out your operations is impotent to devise language that would provide for the supervision, auditing, and budgeting of your institutions? Are you, the creature, larger than the creator—the Government?" The spokesman for the Farm Credit Administration was embarrassed.

The second question was likewise perplexing if not embarrassing to those who asked to be excepted from the provisions of this bill. It was pointed out that private corporations, including the large ones I have named, provide for annual budgets, provide for clear and efficient auditing; and this question was asked those who objected and wanted to be excepted: "Is it sound for you, representing a business interest, to ask to be exempted from the requirement that efficient private institutions practice in this country?"

We pointed out that when it came to flexibility the Congress of the United States in one appropriation bill under the Budget and Accounting Act appropriated during the current fiscal year—\$23,000,000,000 approximately to the Navy Department and in another some forty-billion-odd dollars to the War Department. We insisted that if the Congress of the United States having taxed the people of the country for the money that was appropriated for the capital stock of these corporations could devise language for the auditing, supervising, and budgeting of billions and billions of dollars in the prosecution of the war, surely that Congress was not impotent to provide now for the auditing and budgeting of these Government corporations. There is and there was no sound answer from the objectors who sought exemptions.

So the committee in an effort to be just heard every corporation. The reports are in the hearings. Many of them asked to be exempted. We wanted to be fair. We considered their objections and when they pointed out their objections we agreed in some cases that the bill as originally introduced might hinder and delay them. We invited them to submit substantial and material amendments which would enable them to carry out the functions that they were authorized to perform under the substantive law providing for their organization and establishment.

After thorough and complete hearings, and after objections and protests, the original bill introduced as 2177, prepared in collaboration with the Comptroller General, the Director of the Budget, and the Treasury Department, was revised

and substantially every section of that bill was rewritten. The bill as reported to this House and as it is now before the House represents the composite views of the committee after careful, full and exhaustive hearings. I am delighted to say to the membership that many of the agencies, the principal agencies that asked to be excepted from the provisions of the bill, have said after the bill had been perfected, rewritten and clarified that there is no valid objection on the part of any Government corporation to the supervision and to the auditing required by this bill. One of the highest executive officers in the departments of this Government said to me after there had been protests by agencies under his supervision that no honest man could object to the provisions of the bill.

There are two classes of Government corporations. One is a corporation that is organized with a Federal charter under statutes providing for its creation. The other is a corporation that may be authorized by statute but is created under the laws of one of the several States of the Union. Many of the corporations have been created under the laws of Delaware, some under the laws of other States.

The United States has a corporation today that was created under the laws of New York in 1849. I refer to the Panama Railroad Company. A charter was granted to that corporation by the State of New York almost 100 years ago. That corporation, that institution, that railroad, was acquired by the Government as a part of the construction of the Panama Canal and under its charter the corporation today is engaged in transportation, communication, highway, hotel, and other activities almost too numerous to mention.

There are corporations of two other categories. One is a corporation all of the capital stock of which is owned by the Government—the RFC, for instance. The other is a corporation in which a part of the capital stock is owned by the Government and a part by other institutions and other agencies—the Federal land banks, for example.

After full and complete, and I undertake to say fair, hearings all corporations of every kind and class are embraced in the terms of this bill and the bill now under consideration has not exempted a single Government corporation of any kind in the United States.

I should like to say also in this connection that the committee gave careful consideration to the flexibility that is required in auditing and in budgeting so as not to destroy the functions for which these Government corporations were established.

The committee took the view that ours it was to coordinate and correlate the corporations as we found them with the activities authorized by law and by their charters, so that we, in reporting this bill under the guise of auditing and supervision, in no wise change the substantive law under which any of these corporations are now functioning and are now authorized. In all fairness we thought that the Congress of the United States, having established the functions of those corporations, ought to pass upon

any changes with respect to those functions regardless of what my personal views or the views of the committee might have been.

Take, for example, the Farm Credit Administration. They are engaged in production credit. They are engaged in farm credit. It was urged, in the first place, when they submitted their report, that they should be exempt because, for instance, the Production Credit Corporation or the Intermediate Credit Bank might make capital investments or loans for 1 year amounting to \$350,000,000 and the next year, because of a change in conditions they might be required to make outlays of twice that amount. They said, "We cannot anticipate in advance the amount of our budget." We thought that was a reasonable view, and we have provided for amendments to the budget. We have provided for a flexible budget. We have provided that the provisions of this law will not change any of the substantive law under which the Farm Credit Administration is operating, but at the same time, the Chief Executive in submitting his budget and the Comptroller General, in making his audit, will examine these corporations and ascertain whether or not their functions are provided by law and whether or not they are functioning efficiently, and they will submit their recommendations within existing law to the Congress of the United States, and the Congress of the United States for the first time will have an opportunity to take a look at the management of the corporations established by the money of the taxpayers of the United States. I give you one illustration:

I give you another one. The Tennessee Valley Authority objected to the original provisions of the bill and they said that they would be prohibited from carrying on business under section 26 of their act along established lines authorized specifically by the substantive law of Congress. So we said, "We do not propose to change that law; that is an another matter; we do not want to usurp that function." So this bill makes no change in that existing section of the law. The Agricultural Credit Corporation, the Federal Intermediate Credit Banks said, "If we are required to submit a budget beginning with July 1 we will be hampered. We do not know how much money we will spend during the current year; much less are we in a position to make an estimate as to what we will spend the following year." So we undertook to provide for that, and I think we have done it satisfactorily by having the budget estimates presented September 15, so that they will have the completed year as a basis upon which to submit their budget for the following year, as well as by allowing the submission of amendments to the annual budget programs.

The Congress, during the current session, has undertaken in a measure to provide for the omission of the past 20 years or more by providing in the so-called George law, Public, No. 4, approved February 24 of this year, for the auditing of all Government corporations. This is the language, "all Government corporations." Immediately some of the corpo-

rations, where the Government did not own all of the stock, said, "We are not within the provisions of that act." The Committee on Appropriations in the First Deficiency Act of 1945, approved April 25, undertook to perfect and implement the provisions of the George Act and did in a fine way supplement the provisions of that act by providing for the employment of 10 of the outstanding accountants of the Nation to head up the accounting department that must provide for the audit and that must audit these corporations. The Comptroller General, in appearing on that deficiency bill and before the Committee on Expenditures, as well as in a published decision, has taken the position that all these mixed-ownership corporations are under the audit provisions of the George Act.

The provisions of the said deficiency act, modifying, implementing, clarifying, and perfecting the George law, are all brought forward in the bill under consideration.

I may say also in this connection that there are other provisions in this bill that we think are notable. In the event a corporation established under a charter authorized by Federal law, or by authority of law under the laws of one of the States, has been functioning through the years, and the Director of the Bureau of the Budget finds that in his judgment there is no occasion for that corporation, that the activities can be carried on just as the regular activities and departments of the Government are, he can so recommend, and thereafter, if approved by the Congress, budgets will be made as are provided for the Government departments.

I have thus undertaken to cover the high points of this bill. They are, first, for the audit of all wholly owned Government corporations; second, for the budgeting of all wholly owned Government corporations; third, for the auditing but not the budgeting of mixed-ownership corporations like the Federal land banks; and finally, to make the picture complete, the Treasury of the United States should be advised of the financial operations where billions of dollars are involved, for the credit of the United States must be maintained. Bonds are to be bought and sold, and if these corporations have the power to incur indebtedness, to issue bonds, and to pay interest thereon, without coordination with the Treasury, you can very easily see that the financial policy of the Government might be interfered with.

On the other hand, there are some corporations authorized by Congress that do not depend for their funds upon moneys from the Federal Treasury. Take the Federal intermediate credit banks. They sell their debentures to the public, they sell them to the banks. As businessmen, you Members know that when you borrow, one of the first questions your bank or the loaning institution asks you is, "Are you going to put this money on deposit with us?" So we thought in all fairness to enable the farm credit agencies to function as contemplated by law there should be an exception where those agencies do not sell their debentures and their obligations direct to the Treasury

but to the people of the United States, including banks, and that they should be exempted from those provisions of the bill, but we provide at the same time that any and all sales and deposit of funds shall be reported to the Secretary of the Treasury, and we require the Secretary of the Treasury to communicate with Congress if he finds that the policy of making deposits or the policy of issuing bonds or debentures hinders, interferes with, or delays the fiscal policy and the fiscal program of the United States. That is most helpful and constructive.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. MANASCO. Mr. Chairman, I yield 10 additional minutes to the gentleman from Mississippi.

Mr. WHITTINGTON. Again, as I have indicated, some of these corporations are Federal corporations. Some of them are incorporated under the laws of States.

In our hearings we asked all who appeared before us if there was any objection to requiring all corporations to become chartered under the laws of the United States, where they are now doing business and are chartered under the laws of the several States. The Reconstruction Finance Corporation, the largest of all the largest corporations in human history, with the greatest assets, together with all other witnesses reported there was no objection. On the contrary, there are many desirable reasons as to why a corporation should be chartered by act of Congress rather than under the laws of the several States. The Government of the United States ought not to be required to ascertain and to search and to find out as to whether or not their corporations are authorized to engage in their activities by exploring the laws of the several States. There is no good reason for this course. So this bill provides a reasonable time for the liquidation of all Government corporations now organized under the laws of the several States or for their incorporation by acts of Congress.

This is an important bill. It marks a new day in Government administration. If the Members will bear with me, in just a moment I will take it up section by section and title by title and explain the bill in a summary way and then answer any questions Members desire to propound. There is a complete analysis and detached explanation of the bill in the report.

TITLE I

Section 101, title I, of the bill covers wholly owned Government corporations. They are all named. There are about 63 of them, it being kept in mind that when you refer to the Production Credit Corporations, for example, you refer to 12 corporations and not to one. There are 12 in the United States. So that no corporation wholly owned by the Government is exempt from the terms of this bill.

It is fair to say we have included at least one, and probably five or six, that are in process of liquidation. Cargoes, Inc., was reported to be in process of liquidation, but we have no testimony that that liquidation is complete. Under

Public Law 109 approved on June 30, the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and the Disaster Loan Corporation were transferred to the Reconstruction Finance Corporation. We do not know whether those transfers are complete or not. I say that the Government of the United States through its Treasury invested some \$9,200,000,000 in those and similar corporations. I do not know how much is going to be recovered. I think the Congress should be advised and for that reason we have left them in the bill subject to reports by the Comptroller General.

Section 102 provides for the business type of budget of these wholly owned Government corporations which I have attempted to describe in a general way.

Section 103 provides that there may be amendments to the annual budgets and that they become in reality a part of the Budget transmitted to the Congress under the Budget and Accounting Act of 1921. It concludes by providing that these requirements cover the year beginning July 1, 1946, and subsequent years.

Section 104 provides for consideration by the Congress of the budget programs and enactment of legislation, if necessary, making available such funds as Congress may determine, and it provides that the Corporation shall not be deprived of the exercise of any functions now authorized by law, specifically applying to Section 26 of the Tennessee Valley Authority Act and generally to the Farm Credit Administration Corporations.

Section 105 provides for the same type of audit, the commercial type, as provided by the George Act, to be made by the Comptroller General.

Section 106 is the provision of the George Act to implement the provisions of this act providing for a more nearly business-type Budget. It requires that the audit report shall show specifically any program, expenditure, or any other financial transaction observed in the course of the audit which in the opinion of the Comptroller General has been carried on or made without authority of law. The language that the report shall be furnished to the Secretary of the Treasury is new language. The President is required to submit his budget on the first day of the session. In practice the Director makes it available to the Committee on Appropriations before the first day of the session informally. I feel the same will be followed by the Comptroller who is required to submit his report to Congress on or before January 15.

Section 107 is new. It provides for recommendations by the Director of the Bureau of the Budget with respect to treating a Government corporation the same as a regular Government agency as to its finances.

TITLE II

There are two classes of corporations, as I stated; wholly owned and mixed ownership. Title I covers the wholly owned; title II covers the mixed-owned corporations. They include the Federal land banks; the Federal home-loan

banks; the Federal Deposit Insurance Corporation; the Central Bank for Cooperatives and the regional banks for cooperatives. In section 202 it will be kept in mind that mixed-ownership Government corporations are subject to the auditing but not to the budgeting provisions of this act. They are partly owned by the Government. It occurred to us that the public interest would be promoted by not requiring a budgeting of those institutions only partly owned by the Government. But I call attention to this significant language in section 202, that any mixed-ownership Government corporation, when it has fully paid all that is owing to the Federal Government, thereby becomes exempt from the provisions of this bill. That is proper and as it should be.

Section 203 makes the general provisions of the audit reports for wholly owned corporations applicable to the provisions for auditing and reporting under this act.

Section 204 permits the President to include in the annual Budget recommendations as to the return of Government capital by mixed-ownership corporations.

TITLE III

Under title III, General Provisions, we bring forward, we clarify the provisions of the George bill, and to answer the objections made by a number of agencies that they are required already by substantive law to examine their corporate subsidiaries, this new provision, not occurring in the George Act or the Deficiency Act, is contained in this section 301, to wit, that in making audits the Comptroller General shall utilize and not duplicate any examinations that are now required by law, but no auditing of any corporation now required by law, is to be repealed, and no provisions of existing law with respect to the mere administrative expenses and administrative budgeting, are to be repealed by this bill or section.

Then I call attention to the provision I have already emphasized in sections 302 and 303 with respect to the banking and checking accounts and note and bond operations of the Government corporations, with the exceptions in the farm credit corporations that I mentioned.

Finally, under section 304, (a) and (b), this bill provides that no corporation shall hereafter be created or hereafter acquired by any officer or agency of the Government, except by act of Congress or pursuant to an act of Congress specifically authorizing such action. Secondly, it provides, that no wholly-owned Government corporation created under the laws of any State, now owned and controlled by the Federal Government, shall continue in business longer than June 30, 1948, but provides that if they are to be continued thereafter they shall be chartered by acts of Congress.

Uniformity will be promoted. Efficiency will be aided, and in my judgment the public interest will be promoted by the passage of this bill, to enable the taxpayer to follow up the taxes that have been levied and appropriated for the

establishment of these institutions, at least one of which is larger in its ramifications than the peacetime budget of the Government itself.

If we had complied with the initial requests of these institutions asking to be exempted, we would have admitted that it is a case of the tail wagging the dog, and that the creature was larger than the creator.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. MANASCO. Mr. Chairman, I yield 10 additional minutes to the gentleman from Mississippi.

Mr. WHITTINGTON. Mr. Chairman, I have now completed my statement. I yield first to the gentleman from Wisconsin [Mr. KEEFE].

Mr. KEEFE. May I say to the distinguished gentleman that I discussed this subject on two occasions before the Congress some months ago. I am very glad to note that this committee has brought this bill before the House. I note, however, that in subparagraph (b) of section 304 reference is made to Government corporations wholly owned by the Government, created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof or under the laws of the District of Columbia. What does the gentleman say about those corporations which are in existence and are operating corporations which have been created by the direct action of the officers of the RFC? Take the case of the Defense Supplies Corporation; that has never been chartered by any State or any political subdivision nor by the Government, but it is a creature of the RFC itself. Should there not be language in subsection (b) that would clearly and unambiguously include those subsidiaries of the RFC that have been created by action of the officials of RFC itself, and that are acting or pretending to act as Government corporations just as much as any other Government corporations? I think it is an inadvertence or an oversight perhaps. While they are named as corporations that are subject to the act in section 101, yet in subsection (b) of section 304 they are eliminated and excluded because they do not fall within the reference in subsection (b) of section 304.

Mr. WHITTINGTON. I get the gentleman's question.

Mr. KEEFE. Does the gentleman get my point?

Mr. WHITTINGTON. Yes; I do. Section 304, subsection (b) deals with one matter and one matter only, and that is whether or not Government corporations that were not organized by Congress but under State law should be continued. This section is confined to one thing and one thing alone and that is whether or not we are going to permit them to continue or require them to be reorganized under Federal statute. If they are not completely liquidated that question will arise. In the case of the Defense Supplies Corporation, it was organized by the RFC under authority of section 5d of its act, as amended. However, I anticipated the gentleman's question as best I could in my humble way by saying that of course it is contemplated that the war corporations organized for the pro-

duction of munitions and war facilities should be liquidated and dissolved as soon as possible. And for that reason Congress itself has provided already for the transfer of the largest of them all, to-wit, the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, and the Rubber Reserve Company to the RFC.

Mr. KEEFE. Will the gentleman yield there?

Mr. WHITTINGTON. Just a moment; and the RFC is proceeding with the liquidation of those corporations in accordance with the provisions of the act of Congress. Those corporations organized for the prosecution of the war are among the plants, the big items of surplus property that will be disposed of as provided by the Surplus Property Act. I answer the gentleman by saying that it is the purpose that not a single one of those corporations shall continue but that they shall be liquidated. If they are not the Congress will take action on it when they come before it in the next 2 years.

Mr. KEEFE. Should they not be transferred to the RFC?

Mr. WHITTINGTON. I anticipated that. Public Law 109, approved June 30, 1945—my recollection is the act is dated June 30, 1945, effective the 1st of July—takes care of it. That has been anticipated. I now yield to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. As I recall, subsection (b) of section 304 contains a proviso on page 15 of the bill which states in substance that these corporations shall be liquidated provided that prior thereto any such corporation may be reincorporated by an act of Congress, and so forth.

Of course, that is a permissive thing and it is entirely up to the Congress whether or not the permission be granted that it be reincorporated; but might it not be considered that this permissive language is permissive likewise for a corporation to continue in some way? What is the reason for that language being in there at all when it is permission?

Mr. WHITTINGTON. I will answer the gentleman in the negative by saying that is the best language the committee was able to devise for two purposes: First, they have to be liquidated, if they are not reincorporated by an act of Congress. Second, if so reincorporated, it will be with specific powers, privileges, and duties as provided by such act.

Mr. HINSHAW. Would the act be any different in effect if that proviso was stricken out?

Mr. WHITTINGTON. I think the proviso should remain there to make definite and certain it is intended that these corporations are to be liquidated unless they are reincorporated by a specific act of Congress.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from Ohio.

Mr. JENKINS. I should like to ask the gentleman two questions. I understood the gentleman to say that under some circumstances the Bureau of the Budget, if it finds certain situations exist, can change the classification of a corporation. For instance, it can trans-

fer a corporation from one group to another.

Mr. WHITTINGTON. No; I did not say that. Here is what I did say, so that there may be no misunderstanding: This bill provides in specific language that if the Director of the Bureau of the Budget finds that the corporation is not necessary to accomplish the purposes for which it was organized and its purpose can more properly be accomplished and carried out by an agency or department of the Government, he will recommend that it be treated not as a corporation but as an agency of the Government.

Mr. JENKINS. He makes that recommendation back to the Congress?

Mr. WHITTINGTON. Yes.

Mr. JENKINS. As I understand it then, that will give him a chance to clear out a lot of these corporations that are sort of worn out and that are on the edge, as far as jurisdiction is concerned. He will have a good deal of authority, if he will exercise it, to clean up some of those things?

Mr. WHITTINGTON. Yes; and the matter the gentleman from Wisconsin [Mr. KEEFE] brought to our attention will be facilitated. If you will take the list of corporations in section 101, one after the other is organized, as I stated in my preliminary observations, under the laws of the State of Delaware or under the laws of some other State. We Members of Congress have a look at them for the first time here, if this bill is passed.

Mr. JENKINS. I want the gentleman to discuss, if he will, just a minute, the Tennessee Valley Authority. I notice on the second page there are two corporations. There is the Tennessee Valley Authority and also Tennessee Valley Associated Cooperatives, Inc. What is the difference?

Mr. WHITTINGTON. The Tennessee Valley Authority was created as a corporation by an act of Congress. The Tennessee Valley Associated Cooperatives, Inc., was created under the laws of the State of Tennessee. I am not going to discuss the merits of that organization, but this bill will provide that it certainly cannot function very much longer unless the Congress approves it because that is one of the institutions that has to come before us at the expiration of the next 2 years.

Mr. JENKINS. I would like to ask several other questions, if I may. As I remember it—and I think I am right in this proposition—the Tennessee Valley Authority has for years been the principal bone of contention with reference to the matter of the jurisdiction of the General Accounting Office; is that right?

Mr. WHITTINGTON. I will say there has been a very considerable controversy with respect to it.

Mr. JENKINS. It has been running on for years.

Mr. WHITTINGTON. I will say, in all fairness, that the law now provides for an audit of the Tennessee Valley Authority. It also provides for an audit of the Crop Insurance Corporation, and in the law as it existed before the George Act there was a provision that does not obtain in this law. It is utterly indefensible. That provision is they have got to

present their audit to these two corporations before they present it to the Congress. That is definitely repealed by this bill.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. MANASCO. Mr. Chairman, I yield the gentleman 10 additional minutes.

Mr. JENKINS. I think perhaps this is the most important issue involved, if there is any issue, and I want to compliment the gentleman on the fine understanding he has of this bill and the very fine way in which he has explained it. He no doubt has given it a great deal of consideration. To get back to the Tennessee Valley Authority, that has been the real bone of contention in Congress for many years. The gentleman knows all about it, I am sure, so I would like to ask him this question: Does this law provide that the General Accounting Office can audit the Tennessee Valley Authority?

Mr. WHITTINGTON. It certainly does.

Mr. JENKINS. Very well. On my left a very distinguished gentleman, one of the best-posted gentlemen of the House, answers to the contrary, and that raises a question in my mind.

Mr. WHITTINGTON. Pardon me. There ought not to be any misunderstanding. The corporations are named, and they are named specifically.

Mr. JENKINS. But there are two instances in this bill, on page 5 and on page 6, where special exceptions are made with reference to the Tennessee Valley Authority.

Mr. WHITTINGTON. Wait 1 minute now. Let us have no misunderstanding about it. The first exception with respect to the Tennessee Valley Authority is in section 104, and that language is this, and I quote:

Nor shall any provisions of this section be construed as affecting in any way the provisions of section 26 of the Tennessee Valley Authority Act, as amended.

That was a controversial matter, and I made the statement in the beginning that the committee took the view that it was not the province of this committee to undertake to change the substantive law. Our province was to provide for a budgeting and an accounting under existing law, and we felt that if you amended section 26 it should be taken up on its merits and disposed of by Congress.

Mr. JENKINS. To put the gentleman right—of course, he knows more about it than I do—but he will notice down further in section 105 the Tennessee Valley Authority is referred to especially, with special exemptions at the bottom of page 5 and the top of page 6.

Mr. WHITTINGTON. I stated in the beginning that there were two exceptions here and that they were intended not to change the substantive law with respect to the agencies referred to, as in this instance, the Tennessee Valley Authority. The first provision in section 104 has to do with the spending of receipts. The second provision, which occurs in section 105 in the act of November 21, 1941, an act passed by Congress, has to do with the expenditure of items, and it leaves to the Authority whether that

be right or wrong. This committee has not undertaken to say, but it leaves to the Directors of that Authority rather than the Comptroller General's opinion whether or not the expenditures made are necessary to carry out the provisions of the Corporation's creating act. Personally, I think that that law ought to be changed, but this is not the time nor place. That is a controversial matter. Congress has passed on it. We leave it just where we find it, but the Comptroller General reports to Congress so that appropriate action may be taken. I repeat that the Comptroller General reports that to the Congress, and if the Congress agrees with the Comptroller General Congress can take proper action.

Mr. JENKINS. Does the Comptroller General approve this section of the TVA? The reason I ask that is this: The Comptroller General's department for many years has been demanding that we provide legislation to audit the TVA, and the TVA has been the most arrogant violator—

Mr. WHITTINGTON. Your question, please. I understand that there is controversy about the TVA. What is the gentleman's question?

Mr. JENKINS. Does this law audit the TVA?

Mr. WHITTINGTON. I have stated repeatedly that it does.

Mr. JENKINS. Very well.

Mr. WHITTINGTON. It audits the TVA in a businesslike manner, and requires them to submit a proper budget. A commercial audit is to be done, and it is the most forward step with respect not only to the control of the \$700,000,000 that the people of the United States have invested in the TVA, but in following up the other investments we have made in other corporations.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from California.

Mr. VOORHIS of California. I would like to ask the gentleman one or two questions. Referring to section 304 (b) again, in the first place am I correct in assuming that section 304 (b) does not affect corporations which have been created by act of Congress?

Mr. WHITTINGTON. It does not.

Mr. VOORHIS of California. In other words, it only affects those corporations which have been created by the action of some executive agency or in some other manner?

Mr. WHITTINGTON. No; as authorized by Congress, under State law, or recognized by Congress, perhaps.

Mr. VOORHIS of California. I mean, if the corporation itself has been created by an act of Congress, this section would not apply, as I understand it.

Mr. WHITTINGTON. That is right.

Mr. VOORHIS of California. But all other corporations would cease to operate in 1948 unless the Congress in the meantime passed legislation setting them up?

Mr. WHITTINGTON. They would be liquidated and dissolved if not operating under Federal charters.

Mr. VOORHIS of California. So the net result of the bill, as I understand, will be, first of all, that all Government

corporations will make an annual budgetary report to Congress, and they will be audited in order to prevent action by the corporations which is contrary to the intent of Congress with regard to them; and second, that after 1948 there will not be in existence any Government corporations except those duly authorized by specific action of the Congress.

Mr. WHITTINGTON. Unless Congress extends them and authorizes them to continue.

Mr. VOORHIS of California. Why is it considered necessary to limit the holdings of Government bonds by corporations?

Mr. WHITTINGTON. The bill does not limit that, it just provides that these corporations can issue bonds and debentures of \$100,000 without taking it up with the Treasury.

Mr. HENRY. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from Wisconsin.

Mr. HENRY. Something has been said here about the attitude of the Comptroller General with reference to one particular section. Is it not true that the Comptroller General highly favors the passage of this bill?

Mr. WHITTINGTON. Yes. He not only favors it, but recommended it in very strong and persuasive language.

Mr. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from Illinois.

Mr. CHURCH. I wish to commend the gentleman for his industry in presenting this bill and for his fine work on the committee. His explanation here on the floor has demonstrated that this measure has already been too long delayed. May I ask the gentleman to cover one point briefly. The gentleman recalls that I raised the question of the economy of having two audits. I think the gentleman covered that very well in the hearings, but for the benefit of the House I wish he would cover that briefly now.

Mr. WHITTINGTON. I anticipated the question by calling attention to the fact that in section 301 we affirmatively require the Comptroller General to give careful consideration to those administrative audits that are now required by law to be made. We did not prevent him, when he audited the head agency, if he found that something was wrong with a subsidiary organization, from going into that and ferreting it out and reporting it to Congress and auditing it. However, we did undertake to prevent a duplication in expenditures, because the House will keep in mind that all of these corporations pay for these audits out of their funds ultimately, and they are required by the specific provisions of this bill to do so.

Mr. CHURCH. There is no release of the responsibility of the corporations to audit their own affairs?

Mr. WHITTINGTON. There is no release when required by Congress, or for the functioning of the corporations. We do prohibit private audits that would be a repetition of these Government audits that will be made by the Comptroller General, and properly so.

Mr. LEMKE. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from North Dakota.

Mr. LEMKE. I understand that the Treasury Department has not been audited by independent auditors since its inception. Why should it not be included, and why should we not know more about what really is taking place, so that a lot of the inaccurate statements in regard to money in circulation may be finally straightened out?

Mr. WHITTINGTON. I do not know of any provision in the Budget and Accounting Act that exempts the Treasury Department from the provisions of that act. On the contrary, for 20 years and more I have considered the Budget recommendations with respect to the Treasury and Post Office Departments, annually, and the Treasury Department is under the Budget and Accounting Act and is not exempted in any way.

Mr. REES of Kansas. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from Kansas.

Mr. REES of Kansas. The gentleman has called attention to the fact that we have 63, I believe, of these corporations. Most of them have come into being in the last 10 or 12 years. Evidently, from what the gentleman has said, Congress has been rather derelict in its duty in not having had an accounting long before now.

Mr. WHITTINGTON. The RFC was established under Hoover, but it is never too late to repent.

Mr. REES of Kansas. Now, in the last days, when we are about to eliminate some of these agencies, we are talking about auditing them. Does not the gentleman believe we are a little late?

The CHAIRMAN. The time of the gentleman from Mississippi has expired. The gentleman has consumed 1 hour, and if further time is yielded to him it will have to be by unanimous consent.

Mr. MANASCO. Mr. Chairman, I yield one additional minute to the gentleman from Mississippi.

The CHAIRMAN. Without objection, the gentleman from Mississippi is recognized for one additional minute.

There was no objection.

Mr. WHITTINGTON. When we appeared before the Committee on Rules this final question was asked me: "How much money will the Government of the United States lose because of these war corporations?" I answered then as I answer now, "Frankly, I do not know." But \$9,200,000,000 has been advanced by the Federal Treasury to build many of the plants for war facilities, and for food subsidies and production. We may realize 10 percent on some of that \$9,200,000,000. We may realize more, and I trust we will, but it is difficult and really impossible at this time to forecast the losses. We know enough to know that the war losses will be enormous. I will say that under the terms of this bill the Congress will be advised annually as to the progress and liquidation of these corporations.

Congress owes it to the taxpayers to safeguard the public funds invested in Government corporations. Control and

examination are essential to protect the integrity of the corporations. Efficient Government corporations should welcome examination and inefficient corporations should be subjected to audit and scrutiny. The bill will not destroy corporations, but it will enable the Congress, as the stockholders of the people, to follow up, examine, scrutinize, and protect the investments of the taxpayers. The bill is the most forward step toward promoting the sound financial structure of the Government that could be taken by the Congress. It marks an advance in the right direction that has been too long delayed. It provides for coordination and for control by providing budgets and audits that are sound and in the public interest.

(Mr. WHITTINGTON asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. HOFFMAN. Mr. Chairman, I yield 7 minutes to the gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Chairman, I ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. WELCH. Mr. Chairman, notice has been served that after October 31, 1945, funds provided under the humanitarian Lanham Act will not be available for the continuance of child-welfare centers throughout the country. This creates a most critical situation in many sections of the country.

The Pacific Coast States of California, Oregon, and Washington have been a vast training center for hundreds of thousands of men drafted into the armed services. Because they were to be located in these training camps for some periods of time, thousands of men brought their wives and children to live near them. Unable to adequately support their families on the small allowances given by the Government, these wives took positions in all kinds of work to supplement their family incomes.

In the city of San Francisco and the bay area this problem is more acute than in any other section of the United States. San Francisco is the world's greatest port of embarkation at the present time. Thousands of mothers, with their children, have located in San Francisco and the bay area, where they will remain until their husbands return from overseas. Many of them are employed in productive work because it is necessary for them to continue helping in the support of their children.

While it is true that war work has stopped in most sections of the country, it is not true in San Francisco and the San Francisco Bay area. At the end of August more than 400 ships were in San Francisco Bay shipyards for repairs and reconditioning. This work will continue as long as we have troops overseas. Until all of these ships have been completely reconditioned there will be full employment for many of these mothers in the shipyards and related industries.

The children of men still in our armed forces deserve every opportunity we can

give them. These good mothers, earnestly striving to keep their homes intact, should receive every assistance our Government can give them. It will be tragic to close these child centers when they are so badly needed.

The situation is so acute in the city of San Francisco that almost every public organization interested in social welfare has urged and petitioned the maintenance of these child centers. Congress should take immediate steps to guarantee the continuance of them as long as they are needed.

Mr. Chairman, I ask unanimous consent to include as a part of my remarks a resolution adopted by the Board of Education of the City and County of San Francisco on September 4, 1945.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

(The matter referred to is as follows:)

Resolved, That this board of education does hereby memorialize the President of the United States to take such steps as may be necessary to continue to provide for the maintenance of child-care centers in the city and county of San Francisco until such time as the services of working mothers may be dispensed with; and further

Resolved, That Governor Warren be urged to include in a call for the next special session of the legislature any legislation needed for the continuance of the authority of school districts to operate child-care centers with Federal funds until the services of working mothers may be dispensed with; further

Resolved, That copies of this resolution be transmitted to the President of the United States, to His Excellency, Earl C. Warren, Governor of the State of California, as well as to United States Senators DOWNEY and KNOWLAND and Congressmen WELCH and HAVENNER.

Mr. McDONOUGH. Mr. Chairman, will the gentleman yield?

Mr. WELCH. I am glad to yield to my colleague from California.

Mr. McDONOUGH. Mr. Chairman, I endorse what the gentleman from California has said concerning the child-care centers. May I contribute to his remarks by saying that the problem is just as acute in southern California in Los Angeles County, not only because of the working mothers, but because of the wives of the thousands of servicemen who are awaiting the return of their husbands from the South Pacific. In southern California we have some of the largest training camps where the wives of servicemen who are awaiting the return of their husbands need the help of the child-care centers to take care of their children. It would be a tragedy if the child-care centers were shut off. In endorsing my colleague's remarks, I urge the Congress to give serious consideration to this humanitarian proposition.

Mr. WELCH. I appreciate my colleague's statement.

Mr. ANGELL. Mr. Chairman, will the gentleman yield?

Mr. WELCH. I yield.

Mr. ANGELL. Mr. Chairman, in my district conditions exist almost identical with those which the gentleman has mentioned in the bay area around San Francisco. I met with a great many of the social agencies in my district while I was there recently during the recess.

The social welfare agencies are at their wits' end as to what to do when this order becomes effective and the day nurseries and recreational centers for children are closed. Literally thousands of families in that area who have come there as war workers and the families of servicemen have young children who are receiving care in these day nurseries. There will be no way to take care of them while the mothers are working if the nurseries are closed. It is still a war problem and not a local one. It is a very urgent problem that the Congress should face, and at least give temporary relief until the local agencies or the State agencies can act, if it is ultimately determined they should be the ones to take over the problem. At the present time they cannot act. I urge the Congress to act at once so these nurseries can be maintained to care for children of veterans and war workers.

Mr. WELCH. I thank the gentleman from Oregon for his remarks.

Mr. JOHNSON of California. Will the gentleman yield?

Mr. WELCH. I yield to my colleague.

Mr. JOHNSON of California. I want to supplement the gentleman's fine statement. Probably the most acute place in California with reference to this situation is the city of Vallejo. We are doing all we can to get the Federal Government to carry out the letter and spirit of the Lanham Act by taking care of these very situations. The entire problem there is due 100 percent to the impact of the war. I hope the Members of Congress and the Federal agencies will give heed to the gentleman's warning about the continuance of these projects so long as the effects of the war impact are in those communities.

Mr. WELCH. I thank the gentleman from California.

Mr. HAVENNER. Mr. Chairman, will the gentleman yield?

Mr. WELCH. I yield to my colleague from California.

Mr. HAVENNER. I want to endorse the recommendations made by my colleague from San Francisco for the continuation of this very important service for the children of working mothers and the wives and widows of servicemen in particular. I have had scores of letters from mothers in San Francisco saying that they would not know how to get along, how to keep their families decently unless this service should be continued. The appeal for continuation of the service has been endorsed by every civic agency in San Francisco.

Mr. WELCH. That is true, and I thank my colleague.

Mr. DOYLE. Mr. Chairman, will the gentleman yield?

Mr. WELCH. I yield to my colleague from California.

Mr. DOYLE. I wish to endorse and supplement the statement made by the distinguished gentleman from California. I have been informed that at the present time more than 40 percent of the children in the child-care centers in Los Angeles County and in California are children of men still in the armed forces. So certainly it becomes the obligation of the Federal Government to have these children well cared for.

There are more than 21,000 such children in the State of California, and over half of them are in Los Angeles County. They have held mass meetings there. I have received more letters on this subject in the last 2 weeks than on any other subject. I hope the Congress will take whatever steps may be necessary, at least to extend the use of these funds for a period of several months, until the State of California can get in line to do its duty.

Mr. WELCH. I appreciate my colleague's remarks.

The CHAIRMAN. The time of the gentleman from California [Mr. WELCH] has expired.

Mr. HOFFMAN. Mr. Chairman, I yield 30 minutes to the gentleman from Ohio [Mr. BENDER].

Mr. BENDER. Mr. Chairman, I ask unanimous consent to speak out of order part of the time.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BENDER. Mr. Chairman, the gentleman from Mississippi [Mr. WHITTINGTON] made as fine a statement in support of a measure considered by the Committee of the Whole as I have heard since I became a Member of this House. I do not know a Member who is more thoroughly conversant with his subject than the gentleman from Mississippi [Mr. WHITTINGTON]. I do not know what anyone could add to the excellent statement he has made for this measure. He has answered all questions of the skeptics in committee, out of committee, and on the floor of the House. I am sure there will not be an adverse vote on the floor against this bill. I have indicated to the chairman and some of the members of the committee that I propose to use most of the time allotted to me on some questions other than those pertinent in this measure.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. BENDER. I yield.

Mr. BUCK. The bill specifically lists the different corporations that come within its provisions. Does that mean that there are other Government corporations that are excluded from the provisions of the bill?

Mr. BENDER. Does the gentleman from Mississippi [Mr. WHITTINGTON] wish to answer the question?

Mr. WHITTINGTON. I believe the gentleman has answered it correctly. This includes every corporation we were able to ascertain or that any agency of the Government was able to ascertain, including some that were in liquidation put in here to make assurance doubly sure that we had omitted none.

Mr. BENDER. If any corporation has been omitted and the gentleman will let us have the name of the corporation we shall be pleased to add it.

As the United States Congress convenes to consider the many complex problems immediately before the Nation, it is important that the guiding lines of national policy be clarified and redrawn to avoid the danger of losing ourselves in the multiplicity of details which must be considered.

In my judgment there are three basic problems which must be solved by Congress in cooperation with the executive department of our Government and our military staffs. These issues are:

First. The determination of the most effective methods of establishing and maintaining a genuine world peace in which the causes of war are eliminated.

Second. The restoration of American military personnel to civilian life as speedily as possible.

Third. The establishment of a peacetime economy at home capable of furnishing full employment by private industry to all who seek work.

1. To achieve the first objective of this policy, it is clearly essential that the capacity of those nations which have adopted aggressive warfare as part of their political philosophy be disarmed and kept disarmed. The capacity of both Japan and Germany to wage war must be utterly obliterated and that destruction must not be repaired as time goes by.

Obviously enough, the supervision of the processes by which we dismantle the industries of the former Axis countries and the methods by which we seek to reeducate the peoples of these lands must be the primary responsibility of the United Nations. Both the policing and the retraining of the conquered aggressors will necessarily require the long-continued presence of thousands of men and women from our own land on foreign soil. It is a major task of Congress to establish conditions which will induce our own citizens voluntarily and happily to engage in this work of reconstruction.

Military service overseas must be compensated at higher rates of pay; educational opportunities must be provided; living standards must be raised to attract alert and able military and civilian personnel for these assignments. Nothing less will suffice, for on our ability to do this job effectively may rest the entire future of our own country, and indeed, of mankind.

The policing and retraining of Nazi Germany has been well begun. There, cooperative and immediately contiguous members of the United Nations who have suffered two disastrous wars in one generation can be relied upon to act strongly in their own self interest. In the treatment of Japan, the prospects for equal success are not yet apparent.

Thus far, the occupation of the main islands of Japan has been an exclusively American task. It should be expanded at once to include occupation forces from other nations, particularly from those nations which have felt most closely the complete impact of the Japanese thrust for world dominion. China and Australia have been more sensitive to the threat of conquest than our own great Nation. The people of China understand the Japanese more thoroughly than any other people. The American temperament is almost instinctively antagonistic to the occupation of alien lands. Moreover, our individual American soldiers, trained in the schools of our own country to ready sympathy and frequently susceptible to outward kindness, are unlikely to make good police-

men. To keep Japan disarmed and to undertake the change in mental attitude necessary if she is to alter her views on the imperial destiny of the Japanese Empire, we shall require years of tough-minded occupation. This can be—and must be—undertaken in cooperation with the United Nations.

But this is only the first aspect of the problem of preventing future wars. Our Government must work closely and incessantly with the new Social and Economic Council of the United Nations to remove the sources of friction which furnish the sparks of war. There can be no better assurance of world peace than the raising of living standards of men and women everywhere. Contented peoples will not heed warmongers.

2. The second immediate task before us must be the restoration of American military personnel to civilian life as rapidly as possible. We must set up many more separation centers than are now in operation to speed this process. All eligible servicemen in our country who are awaiting discharge should be furloughed home and recalled to their separation center when the center is ready to act in their discharge.

Such a policy would be a recognition of the human side of our military needs. By permitting our men to come home while awaiting their discharge they would have an opportunity to investigate business openings, plan for additional education, and be reunited with their families.

In addition, men overseas are entitled to much more definite information on the plans concerning their own cases than is now being offered. Every man in a foreign land should be informed as to the schedule of his return. Such information is certainly ascertainable and would end the interminable flood of rumors which make life so uncertain to our men overseas. Those who are scheduled for relatively late shipment home should be offered educational opportunities on levels identical with those now available at home, and if necessary educational centers should be established at central points for their convenience.

The GI bill of rights which has been so justly criticized in its operation must be quickly amended to provide for a more substantial mustering-out pay, a more liberalized loan policy, and a clarification of former job rights.

Perhaps more than any one of these things, there must be an end to the impatient attitude of some military administrative personnel. Perhaps there was some excuse for the treatment of men in uniform as part of a vast army with little real opportunity for individualized attention during hostilities. There is no longer any justification for such an attitude. Our returning soldiers are not collections of serial numbers, and their problems today can demand personal attention from those charged with these responsibilities.

Third. Nothing we can do on the international scene or in aiding our returning servicemen and their families will be equal in effectiveness to the establishment of a peacetime home economy capable of furnishing full employment by private enterprise to all who seek work.

There seems to be an idea abroad in the land that somehow or other the Government must take care of everybody with Government jobs. Back in 1938 when I was first elected to Congress I recall that we had 78,000 men on WPA in the city of Cleveland. Frankly, Government employment is not the answer. This Government today owes approximately \$275,000,000,000, and after the various corporations organized by RFC come to an end we will find that we possibly owe an additional \$25,000,000,000.

It has been variously estimated that the national wealth of the United States was never over \$300,000,000,000, and when the country is in the hole to the extent of what the country is worth, the country is broke. This business of operating with bales of money, as they operate in some of these foreign countries, is not in order here. I hope the dollars that we are talking about today will at least have the value of the dollars of today. The dollar of today in America certainly is not the dollar of 5 years ago.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. BENDER. I yield to the gentleman from Pennsylvania.

Mr. RICH. Who got us into this terrible mess that this country is in, which the gentleman is now describing? Who spent all this money? We have asked the question for years where we were going to get it, but we never could get an answer. Will the gentleman tell us who is responsible?

Mr. BENDER. The gentleman asks a question. I refer to the statement made by the President of the United States in discussing Pearl Harbor. He said all the people were responsible for Pearl Harbor. Frankly, I disagree with that point of view. But in reply to the gentleman from Pennsylvania, the fact of the matter is that the people voted for the present administration and voted for it four times. It seems to me that they were gluttons for punishment. But in any event, in this country where we have majority rule, the people voted for it. They wanted it.

Mr. HOFFMAN. And they got it.

Mr. BENDER. They got it, and they got it with a vengeance.

Mr. SMITH of Ohio. Mr. Chairman, will the gentleman yield?

Mr. BENDER. I yield to the gentleman from Ohio.

Mr. SMITH of Ohio. The administration got the votes by buying them with taxpayers' money; is not that a fact?

Mr. BENDER. May I say to the gentleman from Ohio that he is correct. In my own city, in 1938, 78,000 were on WPA, receiving Government checks at the rate of \$15 a week.

Mr. SMITH of Ohio. In other words, the administration attained its power with taxpayers' money.

Mr. BENDER. There is no question at all about that.

Mr. RICH. Who is going to pay now for the administration the people have elected in the last 4 years?

Mr. BENDER. I met a professor on the train going home one week end. This professor made this very interesting observation. He said, "Well, we owe this money, but we owe it to ourselves." That professor made a very "screwy" ob-

servation. We do not owe it to ourselves, we owe it to each other. When I have a Government bond, a Liberty bond or one of these War bonds, you owe me that money. You are a part of the Government, as I am. If you have a bond, I owe it to you, because we are all a part of the United States Government. We cannot write it off.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. BENDER. I yield to the gentleman from Michigan.

Mr. HOFFMAN. I am not interested so much in who got us into it, as most of us know about that, but the gentleman said that he owed it and I owed it, that we are going to pay each other. The gentleman knows very well we are going to shove it off on the returning veterans and let them and their descendants pay it.

Mr. BENDER. I hope that that will not be the case.

Mr. HOFFMAN. That is just exactly what is happening and the gentleman knows it very well.

Mr. BENDER. I hope that will not be the case, but I think that is in the minds of some people.

Mr. RICH. The gentleman made the statement that he heard a man in a pullman say that we owed this debt to ourselves. The gentleman said it was a screwy statement for any man to make. Did not the gentleman hear that same statement coming from one of the Chief Executives of this country a few years ago?

Mr. BENDER. Of course. We have heard all kinds of conversation. Talk is cheap. In this country for many years a radio voice had the country all hypnotized. Many were not thinking very much about anything else except listening to that radio voice, and they got conversation, loads of it.

Mr. RICH. The chairman of the Committee on Ways and Means is with us now. Probably he can tell us how we can get the money to pay off all this great debt that we have created, because the Committee on Ways and Means is responsible for raising the funds. Probably if the gentleman were to ask that question of the gentleman from North Carolina, he might be able to give us some enlightenment.

Mr. BENDER. I am sure he would tell us that there is no short cut, and that all of us have to pay through the nose, that only through taxation can we possibly pay off this debt. When you carry a debt in this country 10 times larger than we knew anything about 10 years ago, if you have an idea that somehow or other there is some short cut or that you can get around it and that you do not have to pay the debt, you are just as screwy as that professor was. You have to pay. It is a part of your personal obligation. If you have repudiation or inflation, you have conditions comparable to the conditions that some of the returning Congressmen tell us now exist in foreign countries, where they have to pay as much as \$1,500 for a fountain pen, and as much as \$4,000 for a meal.

I will say frankly to the gentleman, I am in favor of any legislation which will

provide for better conditions for the average citizen in our country, providing that such legislation does not in any way rock the boat as far as our entire economy is concerned.

I have a letter here from a lady constituent of mine from Rittman, Ohio, and I would like to read it to you:

It is almost more than we mothers of returned prisoners of war can take when we see pictures of President Truman pinning on a Distinguished Service Medal on Harry Hopkins. He who had everything easy, sitting behind a desk in comfort, traveling in luxury, getting a whale of a salary while our boys were on a starvation diet, almost freezing for want of clothes, locked in boxcars, barns, and railroad stations through bombings, and now since they were fortunate enough to live through this torture, they are forgotten.

This is typical of thousands of letters I am receiving, and when I say thousands, I do not mean hundreds. Perhaps this lady draws on her imagination a little, but in any event this is the temper of the American people today, and this letter is typical of the kind of letters which come to my desk by the thousands. The letter says further:

They are never mentioned on the radio, in the news, or by the Government.

Yes, everybody talked how terrible the atrocities were, but since they are back, no mention is made as to how they are to be repaid for their suffering.

We who know what they have endured feel they should be discharged. They have paid enough for freedom. Instead they are keeping them in camps as "clean-up boys," "salad makers," and even sent back to the Infantry.

Many of these boys are going a. w. o. l. saying, "If the Army cannot be fair to me I won't play fair either." Is this the American way? Are we supposed to just be quiet and take what they hand to our boys? They couldn't earn points in prison camps, so some arrangement should be made at once. They can't take much more without cracking up. Do you want our insane institutions to be filled to overflowing?

Please try to do something for these boys. My son was a prisoner of war for 8 months in Germany and I know what I am talking about. He is a "salad maker" now and writes, "We are the forgotten men."

Mrs. N. M. WENGER.

RIITMAN, OHIO.

The people of the United States have seen our country turn from depression to prosperity through the manufacture of the destructive weapons of warfare. It will be difficult to persuade any right thinking citizen of our Nation that the ingenuity and skill which produced this wartime record cannot be utilized for the fulfillment of a better life for all men. We must be mindful of the fact that there are still large areas of our land where living standards are distressingly low. There are huge areas in foreign countries which have been devastated. They must be rebuilt. Our industry has the technology and the "know-how" to rebuild them. Our people have the skill. They have equally the will to aid in this effort. For they know that today the prosperity of the entire world, and indeed its ability to survive, may well rest upon the decisions we make right here in this country in the next few years.

The prospects may frighten some. They will not discourage Americans who have overcome obstacle after obstacle to

become the greatest producing nation on earth. We must take our stand now. American industry, encouraged by domestic policies, must expand to cover the globe. American resources must make possible an international lifting of living standards which will be reflected in world-wide prosperity and enduring peace. Nothing less will achieve this goal. Nothing less must be contemplated by the framers of American policy.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. BENDER] has expired.

Mr. MANASCO. Mr. Chairman, I yield 4 minutes to the gentleman from Missouri [Mr. CANNON].

[Mr. CANNON of Missouri addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. CANNON of Missouri asked and was given permission to revise and extend the remarks just made and also the remarks he made previously in the day.)

Mr. HOFFMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman, there is being presented to the committee today a bill providing for the financial control of Government corporations. This is a bill that has been very long overdue. This should have been enacted 10 years ago and the Congress has been derelict in its duty because it has not enacted this legislation. I have proposed it for years. I am glad that it comes before us today with the unanimity of opinion that seems to exist among the members of the committee because all of them seem to realize today that we do need to have financial control of these Government corporations. All private corporations have an audit because it's good sound business for them to do so and it's good business for the Government to audit its corporations.

There has been and is at the present time some corporations that do not want to come under the scrutiny of the Comptroller General, but, in my opinion, it is up to the Congress to see to it that all Government corporations are audited so that the people of the country may know just what is happening.

I wish the Members could have been present at the hearings when Comptroller General Lindsay Warren told the committee about the duplication of effort in the various departments, bureaus, and corporations of this Government. It is a shame and a crime that we have gone on for so long a time without consolidating these various bureaus and various functions of the Government departments and corporations. The taxpayers of the country are being compelled today to pay for the inefficiency of Government operations and you have been very derelict in your Government duties I must admit.

Mr. SMITH of Ohio. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield to the distinguished gentleman from Ohio.

Mr. SMITH of Ohio. I have been interested for a long time in seeing this sort of measure brought up for consideration and passage and I intend to vote for it. However, I have not the confidence it

will do what some hope it will or believe it ought. I do not believe it is possible to control the finances of a Government corporation. In my opinion, the only way to control the finances of a Government corporation is to abolish it and I hope the day is not far distant when the Congress will make a clean sweep and abolish practically all of the existent Government corporations.

Mr. RICH. I think if all Members of Congress were as interested in seeing good business practices followed by the Government as is the distinguished gentleman from Ohio, they would do exactly as he suggests. There is no reason why we should have the Government in all the kinds of business that it is in today. We are going to ruin private initiative in this country, the thing that made the country the greatest Nation on the face of the earth. If we do not stop the Communists in the Government from going ahead and taking over and making our form of Government communistic, American freedom, American liberty and American independence will be lost. I think the same as the gentleman of Ohio does and I am glad that he brought the point out at this particular time.

We have a hundred and one corporations owned and controlled by this Government. Some people do not want Lindsay Warren to go into their corporations. Why? They are afraid that the people will become enlightened. They are afraid that the people of this country will know all the things that are happening, and that is what I want to see done so that the people of this country will know the true facts by having these corporations audited, and so that Congress will be in a position whereby it can change and regulate every corporation that is in existence until it is put out of business. I do not fear any harm that will come to anyone by the enactment of this legislation. It will only injure those who do not want to lose their easy jobs and their snaps by getting off the Federal pay roll. They are the only fellows that are going to be hurt, and I want to hurt them just about as quick as I can and about as bad as I can, because I believe that we ought to work and earn and save, and we certainly will have to do that if we are going to save this country of ours. I want to save this country of ours if it is possible. This bill should save the country millions and millions of dollars. It should lead to the cutting out of many functions and departments of government that are not necessary. To encourage private initiative and get the Government out of business. Let us keep America American. Let us keep American standard of living high.

[Mr. FLANNAGAN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. BENDER. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. KEEFE].

Mr. MANASCO. Mr. Chairman, I also yield 5 minutes to the gentleman from Wisconsin.

The CHAIRMAN. The gentleman from Wisconsin [Mr. KEEFE] is recognized for 10 minutes.

Mr. KEEFE. Mr. Chairman, the subject matter involved in the bill now under discussion has intrigued me ever since I have been a Member of this body. As some Members know, I have made rather an extensive study of this subject matter, and have been privileged to address the House upon a number of occasions, calling attention to some of the problems that should be dealt with in the matter of control of Government corporations.

I recall that some months ago I discussed the ramifications of the Commodity Credit Corporation for nearly an hour on the floor of this House. I purposed to discuss the ramifications of the Defense Supply Corporation but was foreclosed from doing so on account of limitations of time.

I have had an opportunity, as a member of the Subcommittee on Appropriations in Charge of Appropriations for the Treasury Department, to go at some length into the ramifications of those Government corporations insofar as they affect and utilize the credit of the United States Government itself.

I want to compliment the committee upon recognizing, at long last, the tremendous character of the problem involved, and upon bringing to the Congress the first step in the direction of dealing with this problem. However, let it be said here and now that by the passage of this bill I do not for a moment believe that all of the iniquities which are to be found in the discussion of this problem by the Comptroller General are to be eliminated.

Let me call your attention to this fact, that not one of those corporations owes its existence to anything except the organic law passed by this Congress. Every one of those corporations exists by virtue of the organic law and authority passed by this Congress. Every one of those corporations is utilizing the Government credit under authority given to it by acts of this Congress. The organic law specifies the power that those corporations shall have. It specifies the character of their borrowing power. It says how they shall borrow from the Treasury Department, and indicates that the Treasury Department shall take their notes, debentures, and bonds, and shall raise the money to turn over to those corporations by treating the transaction as a public debt transaction, and taking the money from the sale of the bonds that are being sold from day to day in order to finance the affairs of those corporations.

Nowhere in this bill is there any attempt to limit the power or authority of a single one of these corporations, and the distinguished gentleman from Mississippi stated throughout his entire dissertation on this bill that there was no attempt to repeal any existing organic law. So long therefore as these corporations shall remain in existence they are authorized to carry out the same functions and powers they are now exercising. The only thing this bill does is to place them, after July 1, 1946, under the jurisdiction and control of the Comptroller General as far as audit is concerned. Just remember that. If you will read this bill you will find that despite all of the views that have been expressed here

that Mr. Warren wants to dig into these corporations and find out what they have been doing with this money, the limitations of this bill will preclude the General Accounting Office from going back into any transaction happening before July 1, 1946. So those who expect or hope that Lindsay Warren for the purpose of audit is going to be able to dig into all of the transactions of these various and sundry corporations that have been operating, lo! these many years I think are doomed to disappointment by the very language of the act itself which is found on page 6, and I quote:

The audit shall begin with the first fiscal year commencing after the enactment of this act.

This would be July 1, 1946. I do not say that in criticism of the bill but I do want it to be understood and I want the public in this country to whom I have addressed myself in the past to know that by the passage of this act we are not going into an examination of what has transpired in the past. We are not going to be advised from the audit of the Comptroller General as to any transactions that may have been illegal or otherwise in the past. We are turning a new leaf and are saying to the corporations, "Beginning with the fiscal year July 1, 1946, you are going to be subject to the auditing powers of the General Accounting Office."

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. KEEFE. I yield.

Mr. RICH. Does not the gentleman believe it is time we turned over a new leaf and got started right?

Mr. KEEFE. May I say to the gentleman from Pennsylvania I do not want to take up too much of my time on that phase, if the gentleman will pardon me. I have complimented the committee on bringing this bill here. The gentleman knows I have stood in the well of this House time and time again and urged that this action be taken, and I am glad the committee has seen fit to take the step, although it does not in my opinion go as far as it should go.

Mr. RICH. I agree with the gentleman on that statement.

Mr. KEEFE. I do want to say, however, that in the final paragraph of this bill, namely, section 304, the Congress has finally declared its policy to retrieve the powers that it has given to these corporations that have been exercised by them almost carte blanche, because we provide in that section that these corporations shall continue after June 30, 1948, only in the event that the Congress of the United States by appropriate action sees fit to charter them to carry on the functions the Congress may then prescribe. In that connection I express the hope that between now and June 6, 1948, the vast majority of these corporations will be completely liquidated and that we will create if necessary Government bureaus, and functions, and departments under the complete and continuous control of the Congress to carry on the public business, and do away as I have urged time and time again for more than 2 years, do away with this false and iniquitous vehicle of Government cor-

porations with authority to spend, and spend, and spend, and waste the credit of the people of the United States without the Congress assuming even a modicum of control over them.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. KEEFE. I yield to the gentleman from Mississippi.

Mr. WHITTINGTON. I agree and am in accord with the gentleman's views, but may I make this statement. He asked me with respect to the Metals Reserve Company.

Mr. KEEFE. I asked the gentleman in respect to Defense Supplies Corporation.

Mr. WHITTINGTON. Defense Supplies Corporation. I responded during the course of my argument that Congress itself had done what the gentleman is advocating with respect to that Corporation by providing for its dissolution through public law. I think the gentleman is on sound ground and I would like to see the Congress as fast as practicable provide for the dissolution of these other corporations.

Mr. KEEFE. If I had the time I would like to put in the Record the history of this Corporation known as Defense Supplies Corporation. If there is a member of the bar in this body who could read the history or the genesis of the creation of this Defense Supplies Corporation without being completely astounded, then he would be completely innocuous to the facts of the situation.

Here is a corporation that was created with vast powers, created by the mere stroke of the pen of the Chairman of the Board of RFC and the Secretary of the Reconstruction Finance Corporation. No exercise of the right of sovereignty by any sovereign authority, no exercise of the right of sovereignty by any State, no exercise of any right of sovereignty of any political subdivision, but by the mere stroke of a pen by the Chairman of the RFC and the secretary of that Corporation they create a corporation and say, "Now, here are the articles of association which we have written; here are the bylaws which we have written. We have now created a corporation with vast powers to handle and expend the money of the people of the United States."

Mr. Chairman, it is one of the greatest stories that could be told on this floor to show the ridiculous extent to which we have gone in this matter of Government corporations. I congratulate the committee and I hope this bill will pass without a dissenting vote.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. HOFFMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. Judd].

Mr. JUDD. Mr. Chairman, I hope it will be possible to get a vote on this bill today so I will not delay the committee. May I say only this: that it is not our purpose in bringing in this legislation to handicap or to hamstring any Government corporation or to interfere in the least with its carrying out the functions for which it was set up. Rather it is just to make sure that each corporation does carry out the functions for which it was set up, under proper control and proper supervision, that this bill was

prepared and brought in by the committee.

I agree with others who have spoken that surely it would be a mistake to exempt this or that corporation from the provisions of the bill. If the affairs of a corporation are in proper order why should it hesitate to have a proper independent audit by the agency of the Congress? It seems to me the first thing that might raise a question as to the credit of a particular corporation would be for its sponsors to insist that it be exempt from these audit and budgetary provisions.

I hope we will pass this act immediately and that it will be passed promptly by the other body, not because we do not want Government corporations to function properly, but so we can be sure that they will function properly.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. JUDD. I yield to the gentleman from Mississippi.

Mr. WHITTINGTON. With respect to duplication, I recall the gentleman's interest in that subject, and I recall also the questions that he propounded. In order to prevent duplication of audit and costs, I want to call attention to the language on page 10 as follows:

Provided further, That in making the audits provided in said sections the Comptroller General shall, to the fullest extent deemed by him to be practicable, utilize reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

Not only did we have his statement that he would do that, not only have we stated it in our report, but we have provided here in the strongest language that we could that there will be no duplication and that those reports shall be made; except we have not closed the door so that he, the Comptroller General, the arm of Congress, the agent of Congress, can go behind those if at any time he feels he should do it in order to give the facts to the Congress.

Mr. JUDD. Yes. It seems to me we have done all that it is possible to do to avoid duplication and unnecessary expenditures of money for audits and still carry out our first responsibility, namely, to protect the stockholders of these corporations, and those stockholders are the taxpayers of the United States.

Mr. FLANNAGAN. Mr. Chairman, will the gentleman yield?

Mr. JUDD. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. Under the language of the section the gentleman from Mississippi referred to, the audit on the part of the Accounting Office is mandatory; is that not true?

Mr. JUDD. By the General Accounting Office?

Mr. FLANNAGAN. Yes.

Mr. JUDD. Yes; it is mandatory.

Mr. FLANNAGAN. And the General Accounting Office is required to make another audit?

Mr. JUDD. He is required to make an audit but he shall to the fullest extent deemed by him to be practicable utilize the reports and audits made by the corporations themselves or their supervising administrative agencies.

Mr. FLANNAGAN. It is mandatory that he shall make a second audit.

Mr. JUDD. No; not a second audit; it is required that he shall make an audit and in making that audit he shall use the material already available to him if it seems satisfactory. It is a commercial type audit independent of the periodic examination some of these banks and corporations are required by law to have made by their supervising agency. It is mandatory to make such a regular commercial audit in order to report to Congress regarding the financial condition of the corporations.

Mr. FLANNAGAN. But section 301 makes it mandatory upon the General Accounting Office to make this second audit.

Mr. WHITTINGTON. There is nothing said about a second audit in the whole bill.

Mr. JUDD. Not a second audit; an audit. Surely that is the job of the General Accounting Office to make audits for the benefit of Congress.

Mr. FLANNAGAN. Every Member of Congress should be cognizant of the fact that under the existing law of today every farm credit organization has to be audited. That is one audit.

Mr. JUDD. And so do most of these other corporations have their own audits.

Mr. FLANNAGAN. Oh, no; not written into the law by Congress and the standard set up by Congress, as in the case of the Farm Credit Administration.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. HOFFMAN. Mr. Chairman, I yield the gentleman two additional minutes.

Mr. JUDD. Surely the gentleman would not expect the stockholders in a private bank to ask anything less than an independent audit of the financial transactions of the bank; and how can we therefore ask the people of the United States who are the stockholders of these corporations to expect less than an independent audit of the financial transactions and conditions of these corporations which they own in whole or in part?

Mr. FLANNAGAN. We already have an independent audit by the Farm Credit Administration.

Mr. JUDD. It is an auditing system set up by itself, is it not?

Mr. FLANNAGAN. The Farm Credit Administration administers the laws with respect to the farm loaning agencies under it. It is a supervising agency clothed with the power and commanded by Congress to make audits of all of these farm-loaning agencies, and is required to employ auditors of a standing equal to national-bank examiners.

Mr. JUDD. Surely when the Comptroller General reviews those audits, if they are in perfect order, then he will, under the language of the bill, utilize those audits to the fullest extent, but we want him to be in a position to go into any corporation's books, if there is anything that requires attention, to make an independent audit. Not a person is suggesting there is anything wrong with the financial transactions of the Farm Credit Administration. It should welcome this audit, which is to protect

the corporation whose affairs are in proper order, as well as to expose the corporation whose activities have gone beyond legal authorization, if such there be.

Mr. FLANNAGAN. Why would there be so much virtue in an audit made by the General Accounting Office who can employ a schoolgirl or a schoolboy, whereas here, on the other hand, we have an auditing system set up by Congress requiring auditors to measure up to the standard of Federal bank examiners?

Mr. JUDD. When they have such a good auditing system, why should they object to review or audit by the agency of the Congress?

Mr. FLANNAGAN. They are not objecting. It is the farmer who is going to be saddled with the cost.

Mr. HOFFMAN. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. McDONOUGH].

Mr. McDONOUGH. I am curious and am looking for information. Does this bill provide and practically inform the people of the United States that no audits have been made of these corporations heretofore, and that this is the beginning of the audits of these corporations? I am asking the chairman of the committee that question.

Mr. WHITTINGTON. No, and we have never so stated. There have been audits made by the corporations themselves, but they have not been made by an independent agency of the Government.

Mr. McDONOUGH. Under the Comptroller General?

Mr. WHITTINGTON. By the Comptroller General. In other words, the Comptroller General is the agency of Congress in making audits. Heretofore he has never been authorized and never been required to make audits of corporations.

Mr. McDONOUGH. But has there been an annual audit of each of the separate corporations?

Mr. WHITTINGTON. I think so. I think the departments of government, audited by the Comptroller General, have to have audits of some kind to keep up with their expenditures. There is nothing new about the departmental audit. If a department is properly administered, it has to have an audit, but that would not prevent the Comptroller General from going in there and making an audit for us.

[Mr. JENNINGS addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. HOFFMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, if I understood the chairman of the committee correctly, he obtained permission from the Speaker that we might include in our remarks certain excerpts from the hearings.

With that understanding, Mr. Chairman, I ask unanimous consent to include as a part of my remarks page 23 of Report No. 856, which shows the financial condition of Government corporations as of March 31, 1945.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The statement follows:

FINANCIAL CONDITION OF GOVERNMENT CORPORATIONS AS OF MARCH 31, 1945

The following table is a combined balance sheet of Government corporations as of March 31, 1945, and reflects total gross assets of \$29,600,000,000, gross liabilities of \$28,400,000,000, and net worth of \$1,200,000,000.

Assets: Of the \$29,600,000,000 in gross assets, \$9,400,000,000 represent intercorporate assets, leaving net total assets of \$20,200,000,000. Included in this \$20,200,000,000, however, is \$1,000,000,000 representing interagency assets due from other Government agencies. Of the total gross assets, the major items, after taking out reserves for valuation and estimated losses, consist of \$13,300,000,000 in loans receivable; \$7,800,000,000 in land, structures, and equipment; \$2,900,000,000 in commodities, supplies, and materials; \$2,100,000,000 in investments and \$1,600,000,000 in other receivables.

Liabilities: Of the \$28,400,000,000 in gross liabilities, \$8,900,000,000 represent intercorporate liabilities, leaving net total liabilities of \$19,500,000,000. Included in this \$19,500,000,000, however, are \$13,600,000,000 representing interagency liabilities due to the Treasury and other Government agencies. Of the total gross liabilities, \$22,000,000,000 were in bonds, notes, and debentures issued by the corporations, of which \$11,600,000,000 were held by the Treasury, \$8,100,000,000 were held by Government corporations, and \$2,300,000,000 were held by the public.

Net worth: While the combined net worth of the corporations is reported as \$1,200,000,000, this amount includes \$451,000,000 belonging to private interests, leaving \$750,000,000 as the net capital investment of the United States in the corporations as a group.

Mr. CRAWFORD. Mr. Chairman, my only reason for taking the time of the House at this hour of the day is to make a few brief observations for the RECORD.

In my opinion we are engaging in some of the most fantastic financial activities that any country on earth ever participated in. I do not know just what our people will finally do when they comprehend what all this means from the standpoint of servicing, to say nothing about amortizing, the Federal debt, and when it comes down to carrying the tax burden which will be imposed upon us, incident to that debt.

I think Mr. Morgenthau in his final statement to the Congress at the time he left the office of Secretary of the Treasury, in pointing out that the two big things which will undoubtedly control the fiscal policy of the Government is whether or not we have a reasonable peace for several years to come, and whether or not we have full employment, struck the keynote, as far as I am concerned. These Government corporations which this bill somewhat attempts to control have run wild in so many directions that it is utterly impossible for the average person to comprehend what the show is all about.

The statement which I am placing in the RECORD, which comes from the report, shows assets of \$29,600,000,000, liabilities \$28,400,000,000, with a net worth of \$1,200,000,000.

I think the committee is exceedingly wise in going as far as it has at this particular time with this bill. Person-

ally, I am not at all satisfied with the exceptions or exemptions which are carried in the bill as far as TVA is concerned, but that is a very difficult matter to deal with. This committee is not the only one which has wrestled with that particular problem.

Mr. Chairman, also as a part of my remarks I wish to include in the RECORD section 26 of the May 18, 1933, TVA Act and the amended section 26 of that particular act which came about in a bill approved August 31, 1935:

SECTION 26 OF THE MAY 18, 1933, TVA ACT

SEC. 26. The net proceeds derived by the Board from the sale of power and any of the products manufactured by the Corporation, after deducting the cost of operation, maintenance, depreciation, amortization, and an amount deemed by the Board as necessary to withhold as operating capital, or devoted by the Board to new construction, shall be paid into the Treasury of the United States at the end of each calendar year.

SECTION 26 OF THE MAY 18, 1933, TVA ACT, AS AMENDED AUGUST 31, 1935

SEC. 26. Commencing July 1, 1936, the proceeds for each fiscal year derived by the Board from the sale of power or any other products manufactured by the Corporation, and from any other activities of the Corporation, including the disposition of any real or personal property, shall be paid into the Treasury of the United States at the end of each calendar year, save and except such part of such proceeds as in the opinion of the Board shall be necessary for the Corporation in the operation of dams and reservoirs, in conducting its business in generating, transmitting, and distributing electric energy and in manufacturing, selling, and distributing fertilizer and fertilizer ingredients. A continuing fund of \$1,000,000 is also excepted from the requirements of this section and may be withheld by the Board to defray emergency expenses and to insure continuous operation: *Provided*, That nothing in this section shall be construed to prevent the use by the Board, after June 30, 1936, of proceeds accruing prior to July 1, 1936, for the payment of obligations lawfully incurred prior to such latter date.

I also include as a part of my remarks the act of November 21, 1941, which consists of only one paragraph; so that we will have in the RECORD in this debate the provisions which are carried in the present proposal and which act as an umbrella in protecting the substantive law pertaining to the Tennessee Valley Authority:

[Public Law 306—77th Cong., ch. 485—1st sess.]

H. R. 4961

An act to amend section 9 (b) of the Tennessee Valley Authority Act, as amended by section 14 of the act of August 31, 1935

Be it enacted, etc., That section 9 (b) of the original Tennessee Valley Authority Act, as amended by section 14 of the act of August 31, 1935 (49 Stat. 1080), be, and the same is hereby, further amended by adding at the end thereof the following: "Nothing in this act shall be construed to relieve the treasurer or other accountable officers or employees of the Corporation from compliance with the provisions of existing law requiring the rendition of accounts for adjustment and settlement pursuant to section 236, Revised Statutes, as amended by section 305 of the Budget and Accounting Act, 1921 (42 Stat. 24), and accounts for all receipts and disbursements by or for the Corporation shall be rendered accordingly: *Provided*, That, subject only to the provisions of the Tennessee Valley Au-

thority Act of 1933, as amended, the Corporation is authorized to make such expenditures and to enter into such contracts, agreements, and arrangements, upon such terms and conditions and in such manner as it may deem necessary, including the final settlement of all claims and litigation by or against the Corporation; and notwithstanding the provisions of any other law governing the expenditure of public funds, the General Accounting Office, in the settlement of the accounts of the treasurer or other accountable officer or employee of the Corporation, shall not disallow credit for, nor withhold funds because of, any expenditure which the Board shall determine to have been necessary to carry out the provisions of said act.

"The Corporation shall determine its own system of administrative accounts and the forms and contents of its contracts and other business documents except as otherwise provided in the Tennessee Valley Authority Act of 1933, as amended."

Approved, November 21, 1941.

Mr. CRAWFORD. With those additions in the RECORD, perhaps we will have a clearer concept of just how far this bill goes, insofar as the activities of the Tennessee Valley Authority are concerned. If I were an auditor sent out by the General Accounting Office to make an audit of the TVA records, I would not feel that this bill gave me the authority with respect to the TVA, which it does with respect to the other corporations listed on pages 2 and 3 of the bill.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. HOFFMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, I rise to ask the author of the bill a question. What, if any, effect does this bill have upon a public power and irrigation district created under State law, managed by a board of directors elected pursuant to State law, but which obtained its funds by means of a grant and a loan from the PWA and the bonds created by the loan are now held by the Government of the United States?

Mr. WHITTINGTON. They are not embraced in the terms of this bill. This bill has nothing more to do with them than it does with the many other thousands of debtors to the RFC and the United States.

Mr. CURTIS. I thank the gentleman and, Mr. Chairman, yield back the balance of my time.

Mr. HOFFMAN. Mr. Chairman, I yield myself 3 minutes and ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HOFFMAN. Mr. Chairman, the absence of so many Members from the floor during the discussion of this bill is proof positive to me that they have the utmost confidence in the chairman of the committee and also the members of the committee.

The bill itself embodies the principles for which the Republican Party organization here in the House has contended ever since the coming of the New Deal. For the last 12 years the administration in power has been creating corporations

and appropriating billions upon billions of dollars, much of which was spent without any supervision or control by the Congress. The Republicans have always contended ever since the beginning of the New Deal that the Congress itself which is charged with the responsibility of appropriating the taxpayers' money should retain some supervision, some control over the expenditure of those billions of dollars. This legislation will give us not the full measure of control which we should have over every governmental agency and every organization created under the authority of law enacted by the Congress, but it gives us at least a part of that control and I know of no one who really opposes it.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN. I yield.

Mr. CRAWFORD. Does the gentleman join me in going so far as to say that he believes the step here taken will enable us to take further steps later on?

Mr. HOFFMAN. Oh, yes; I believe we should go further later on; and I know that the Republicans individually and as an organization are extremely grateful to the President for coming out and endorsing this measure which they have so long advocated.

Mr. Chairman, I have no further requests for time.

Mr. FLANNAGAN. Mr. Chairman, under general permission secured in the House by the chairman of the committee, I ask unanimous consent to revise and extend my remarks and include therein excerpts from letters, and other matters.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

There was no objection.

(Mr. JENNINGS asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. All time has expired. The Clerk will read.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Government Corporation Control Act."

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT CORPORATIONS

SEC. 101. As used in this act the term "wholly owned Government corporation" means the Commodity Credit Corporation; Federal Intermediate Credit Banks; Production Credit Corporations; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; The RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; the Virgin Islands Company; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educa-

tional Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Panama Railroad Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated.

SEC. 102. Each wholly owned Government corporation shall cause to be prepared annually a budget program, which shall be submitted to the President through the Bureau of the Budget on or before September 15 of each year. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which such budget program shall be prepared and presented. The budget program shall be a business-type budget, or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The budget program shall contain estimates of the financial condition and operations of the corporation for the current and ensuing fiscal years and the actual condition and results of operation for the last completed fiscal year. Such budget program shall include a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds, and such other supplementary statements and information as are necessary or desirable to make known the financial condition and operations of the corporation. Such statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

SEC. 103. The budget programs of the corporations as modified, amended, or revised by the President shall be transmitted to the Congress as a part of the annual Budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget programs may be submitted from time to time.

Budget programs shall be submitted for all wholly owned Government corporations covering operations for the fiscal year commencing July 1, 1946, and each fiscal year thereafter.

SEC. 104. The Budget programs transmitted by the President to the Congress shall be considered and, if necessary, legislation shall be enacted making available such funds or other financial resources as the Congress may determine. The provisions of this section shall not be construed as preventing wholly owned Government corporations from carrying out and financing their activities as authorized by existing law, nor shall any provisions of this section be construed as affecting in any way the provisions of section 26 of the Tennessee Valley Authority Act, as amended. The provisions of this section shall not be construed as affecting the existing authority of any wholly owned Government corporation to make contracts or other commitments without reference to fiscal-year limitations.

SEC. 105. The financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office

in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That such rules and regulations may provide for the retention at the offices of such corporations, in whole or in part, of any accounts of accountable officers, covering corporate financial transactions, which are required by existing law to be settled and adjusted in the General Accounting Office, and for the settlement and adjustment of such accounts in whole or in part upon the basis of examinations in the course of the audit herein provided, but nothing in this proviso shall be construed as affecting the powers reserved to the Tennessee Valley Authority in the act of November 21, 1941 (55 Stat. 775). The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this act.

SEC. 106. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expenses; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The reports shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

SEC. 107. Whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest that any wholly owned Government corporation be treated with respect to its appropriations, expenditures, receipts, accounting, and other fiscal matters as if it were a Government agency other than a corporation, the Director shall include in connection with the Budget program of such corporation in the Budget a recommendation to that effect. If the Congress approves such recommendation in connection with the budget program for any fiscal year, such corporation, with respect to subsequent fiscal years, shall be regarded as an establishment other than a corporation for the purposes of the Budget and Accounting Act, 1921, and other provisions of law relating to appropriations, expenditures, receipts, accounts, and other fiscal matters, and shall not be subject to the provisions of this act other than this section. The corporate entity shall not be affected by this section.

TITLE II—MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

SEC. 201. As used in this act the term "mixed-ownership Government corporations" means (1) the Central Bank for Cooperatives and the regional banks for cooperatives, (2) Federal land banks, (3) Federal home loan banks, and (4) Federal Deposit Insurance Corporation.

SEC. 202. The financial transactions of mixed-ownership Government corporations for any period during which Government capital has been invested therein shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this act.

SEC. 203. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of, and the use of Government capital by, each such corporation, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

SEC. 204. The President shall include in the annual Budget any recommendations he may wish to make as to the return of Government capital to the Treasury by any mixed-ownership corporation.

TITLE III—GENERAL PROVISIONS

SEC. 301. (a) The expenses of auditing the financial transactions of wholly owned and mixed-ownership Government corporations as provided in sections 105 and 202 of this act shall be borne out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized: *Provided*, That each such corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts: *Provided further*, That in making the audits

provided in said sections the Comptroller General shall, to the fullest extent deemed by him to be practicable, utilize reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

(b) For the purpose of conducting such audit the Comptroller General is authorized in his discretion to employ not more than 10 persons without regard to the Classification Act of 1923, as amended, only one of whom may be compensated at a rate of as much as but not more than \$10,000 per annum, and to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of firms and organizations for temporary periods or for special purposes.

(c) The audit provided in sections 105 and 202 of this act shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the General Accounting Office for the purpose of a report to the Congress or to the President under any existing law.

(d) Unless otherwise expressly provided by law, no funds of any Government corporation shall be used to pay the cost of any private audit of the financial records of the offices of such corporation, except the cost of such audits contracted for and undertaken prior to April 25, 1945.

SEC. 302. The banking or checking accounts of all wholly owned and mixed-ownership Government corporations shall be kept with the Treasurer of the United States, or, with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a bank designated as a depositary or fiscal agent of the United States: *Provided*, That the Secretary of the Treasury may waive the requirements of this section under such conditions as he may determine: *And provided further*, That this section will not apply to the establishment and maintenance in any bank for a temporary period of banking and checking accounts not in excess of \$50,000 in any one bank. The provisions of this section shall not be applicable to Federal intermediate credit banks, production credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, or the Federal land banks, except that each such corporation shall be required to report annually to the Secretary of the Treasury the names of the depositaries in which such corporation keeps a banking or checking account, and the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress which he deems advisable upon receipt of any such annual report.

SEC. 303. (a) All bonds, notes, debentures, and other similar obligations which are hereafter issued by any wholly owned or mixed-ownership Government corporation and offered to the public shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, shall be issued in such manner and at such times and sold at such prices as have been or as may be approved by the Secretary of the Treasury.

(b) Hereafter, no wholly owned or mixed-ownership Government corporation shall sell or purchase any direct obligation of the United States or obligation guaranteed as to principal or interest, or both, for its own account and in its own right and interest, at any one time aggregating in excess of \$100,000, without the approval of the Secretary of the Treasury: *Provided*, That the Secretary of the Treasury may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

(c) The Secretary of the Treasury is hereby authorized to exercise any of the functions

vested in him by this section through any officer or employee of any Federal agency whom he may designate, with the concurrence of the head of the agency concerned, for such purpose.

(d) Any mixed-ownership Government corporation from which Government capital has been entirely withdrawn shall not be subject to the provisions of section 302 or of this section during the period such corporation remains without Government capital. The provisions of subsections (a) and (b) of this section shall not be applicable to Federal intermediate credit banks, production credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, or the Federal land banks, except that each such corporation shall be required to consult with the Secretary of the Treasury prior to taking any action of the kind covered by the provisions of subsections (a) and (b) of this section, and in the event an agreement is not reached, the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress stating the grounds for his disagreement.

SEC. 304. (a) No corporation shall be created, organized, or acquired hereafter by any officer or agency of the Federal Government or by any Government corporation for the purpose of acting as an agency or instrumentality of the United States, except by act of Congress or pursuant to an act of Congress specifically authorizing such action.

(b) No wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof, or under the laws of the District of Columbia, shall continue after June 30, 1948, as an agency or instrumentality of the United States, and no funds of, or obtained from, the United States or any agency thereof, including corporations, shall be invested in or employed by any such corporation after that date, except for purposes of liquidation. The proper corporate authority of every such corporation shall take the necessary steps to institute dissolution or liquidation proceedings on or before that date: *Provided*, That prior thereto any such corporation may be reincorporated by act of Congress for such purposes and term of existence and with such powers, privileges, and duties as authorized by such act, including the power to take over the assets and assume the liabilities of its respective predecessor corporation.

Mr. MANASCO (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill be considered as read, that it be printed in the Record at this point, and that it be open to amendment to any section.

Mr. WHITTINGTON. Mr. Chairman, I shall not object, but make the suggestion that the Chair announce the sections numerically so that amendments may be offered, if desired, to the sections as announced.

The CHAIRMAN. The Chair will adopt the gentleman's suggestion.

Is there objection to the request of the gentleman from Alabama?

There was no objection.

The CHAIRMAN. Are there any amendments to section 101? Section 102?

Mr. VOORHIS of California. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I shall not take all of the time allotted me, but I have had no opportunity to speak on the pending bill today and there is one thought I want to express.

The Members of the House will realize that from my point of view the work of some of these Government corporations has been most valuable to the Nation. I am not speaking about all of them now; I am speaking about some of them, and I will not take the trouble to differentiate. In other words, I would fight very hard in favor of legislation to continue some of these corporations and the work that they are doing, particularly those the work of which is specifically outlined by the Congress in attempts to meet certain definite objectives which have been carefully set forth in the legislation. From that point of view, may I say that I am very much in favor of the legislation. I think it is the kind of thing the Congress should have been doing for a long time.

The only difficulty is that this is what might be called broadax legislation. In other words, we take the whole problem that we have recognized as piling up, and we try to deal with it in one piece of legislation. We lay down broad, sound principles.

I want to try to point out what the root of this problem actually is. What this bill really means is that the right of existence and all the acts of every one of these Government corporations, whether it was created by the Congress in the first place by specific legislation or not, is going to be subject to congressional review and congressional scrutiny. I think it implies more than that. It implies the basic duty of the Congress to legislate specifically and in detail not only about every one of these corporations but also about the other problems of government. That is something which we have not always done, but when we pass this bill we are placing that obligation upon ourselves. The real answer to this problem of the proper place of the Congress in the American Government lies not only in the passage of legislation like this to assert congressional control, which is proper, but lies even more fundamentally in the original instance of passing legislation in sufficient detail and with sufficient care and spending enough time on it so that we outline exactly what the functions of a Government agency are supposed to be and provide in the first instance for the kind of thing that we provide here for Government corporations as a whole. That is the way our job must be done.

As I said in the beginning of my remarks, there are some of these corporations for whose continuance I would fight very hard. I would also fight very hard to have their powers and duties specifically defined and as carefully as Congress can do it, to have the safeguards of this legislation concerning audit control and such matters as that. We should look at this problem as it really is, because, after all, we are not going to meet the future problems of this Nation, as momentous as that future is and as fraught with new elements as it is, merely by control. We are going to have to meet it by dynamic forward-looking action. When we take that forward-looking action, let us take it in accordance with the spirit of this bill and see to it that congressional control over it may

be had and that a congressional outline of exact functions is also carried therein.

The CHAIRMAN. The time of the gentleman from California has expired.

The pro forma amendment was withdrawn.

The CHAIRMAN. Are there any other amendments to section 102? Any amendments to section 103? Sections 104, 105, 106, 107? Section 201, page 8? Section 202? Section 203? Section 204? Section 301, page 10?

Mr. FLANNAGAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FLANNAGAN: On page 11, line 3, after the period, insert the following: "In the case of any wholly owned or mixed-ownership Government corporation which is specifically required by law to be examined at least annually by examiners appointed or designated by the Farm Credit Administration, such examinations shall be in lieu of the requirements of sections 105, 106, 202, and 203 of this act and of section 5 of the act of February 24, 1945 (Public Law 4, 79th Cong.); but the Comptroller General shall from time to time review the scope of such examination and the adequacy of the reports thereof, and may make such report thereon in writing which he deems advisable to the Farm Credit Administration, to the President, and to the Congress."

Mr. FLANNAGAN. Mr. Chairman, we had a rather full discussion of this amendment. I do not believe anything further can be said one way or the other. I think those present understand the nature of it. The only purpose of the amendment is to keep the farmers of America from being saddled with this additional burden. As I stated awhile ago, the substantive law provides for an audit of every one of these farm-credit agencies. The bill, as drawn, provides that another audit shall be made of each one of those agencies, and my amendment would eliminate that mandatory provision in the bill with respect to these farm loaning agencies.

Mr. WHITTINGTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto and all amendments to the pending section close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. WHITTINGTON. Mr. Chairman, in the very kindest spirit permit me to say that the pending amendment is wholly unjustified. Under the guise of amending this section and this bill the amendment provides that the only truly independent audit that Congress has ever provided for the Farm Credit Administration shall be repealed. There is in this amendment the provision that section 5 of the act of February 24, 1945, the George Act, shall not apply to the Farm Credit Administration; in other words, in addition to being exempt from the provisions of the pending bill, the gentleman's amendment would exempt the Farm Credit Administration from the provisions of the existing law, to wit, the George bill, as amended and clarified by the First Deficiency Act of 1945.

Mr. Chairman, I would like to say this, that the members of this committee were as diligent as the members of any other committee interested, as many of them are, directly in agriculture, in seeing that there be no duplication, and in an effort to prevent any duplication and in the very best language we provide that the Comptroller General shall utilize—and I read:

To the fullest extent deemed by him to be practical * * * reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

There are other agencies that make their examinations. The Home Loan Bank Administration has its examiners, and I dare say they are as well qualified as the examiners of the Farm Credit Administration, yet Federal home-loan banks are included in this bill.

The Federal Deposit Insurance Corporation, having to do with banks in every State in the Nation, is also included. In an effort to be doubly fair, in an effort to prevent any duplication, we asked the Comptroller General to give us a written statement that he would not duplicate and that he would not disregard these independent audits. He submitted a letter to the committee on June 15, 1945, and in that letter stated that it was his plan and his purpose, as the independent agency of the Congress, to utilize these reports, but that it would not be fair at all to prevent his taking a look at the farm credit corporations or other similar corporations to see whether or not these corporations had complied with the law under which they function. There is a need for the examination and reports made under the direction of the Farm Credit Administration. They are essential to good administration, but they are not a substitute for the independent audit by the Comptroller General. In addition to that statement and, in addition to the substantive language of the bill, the committee report on page 9 states that it is the intent of this bill that not only the audits of these agencies such as the Farm Credit Administration are to be considered, but that the audits of the Federal home-loan banks in the municipalities of the country, and those made by any other agencies shall be utilized where there are independent audits under the pending bill to the end that there may be no duplication. The Congress wants its agent to audit and report on both the Farm Credit and the corporations under its control.

In my judgment, Mr. Chairman, this amendment should be defeated.

Mr. FLANNAGAN. Mr. Chairman, will the gentleman yield?

Mr. WHITTINGTON. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. The gentleman made a statement which I know he wants to correct, that, if this amendment is adopted the farm-lending agencies will no longer be audited.

Mr. WHITTINGTON. I made the statement that if the amendment is adopted there would be no independent audit and I repeat it. The language is,

and I quote from the gentleman's amendment:

Such examinations—

That is, the examinations by his examiners—

shall be in lieu of the requirements of sections 105, 106, 202, and 203 of this act and of section 5 of the act of February 24, 1945.

The latter is the George Act. In other words, it absolutely exempts the Farm Credit Administration from the provisions of the George Act.

Mr. FLANNAGAN. I want to correct the record. Prior to the George Act all of these farm-lending agencies were audited.

Mr. WHITTINGTON. Yes, by the Farm Credit Administration. It makes its own audit. We do not argue that. I have stated that not only the Farm Credit Administration but the Federal home-loan banks and other agencies make audits, but they are not exempted from the George Act. Because the Farm Credit Administration audits and examines comparable to other examiners, no better and maybe no worse, there is no occasion to exempt it or others. I maintain that no corporation of any kind or character should be exempted from the provisions of this bill.

Mr. Chairman, I ask that the amendment be voted down.

The CHAIRMAN. The time of the gentleman from Mississippi has expired. All time has expired.

The question is on the amendment offered by the gentleman from Virginia [Mr. FLANNAGAN].

The amendment was rejected.

The CHAIRMAN. Are there any amendments to section 302? Section 303? Section 304?

If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. GORE) having assumed the chair, Mr. COOLEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 3660) to provide for financial control of Government corporations, pursuant to House Resolution 339, he reported the bill back to the House.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO REVISE AND EXTEND

Mr. MANASCO. Mr. Speaker, I ask unanimous consent that all Members who spoke on the bill just passed may have permission to revise and extend their remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

Mr. WHITTINGTON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. WHITTINGTON. Mr. Speaker, may I say that it is a source of gratification that this bill passed unanimously.

EXTENSION OF REMARKS

Mr. RANKIN (at the request of Mr. WHITTINGTON) was given permission to revise and extend the remarks he made previously today and to include therein a short magazine article.

PERMISSION TO ADDRESS THE HOUSE

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent that on tomorrow at the conclusion of the legislative program of the day and following any special orders heretofore entered, I may be permitted to address the House for 15 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

EXTENSION OF REMARKS

Mr. JUDD asked and was given permission to extend his remarks in the Appendix of the RECORD and include therein a newspaper article and, further, to extend his remarks and include therein some correspondence.

Mr. LEFEVRE (at the request of Mr. JUDD) was given permission to extend his remarks in the RECORD and include a resolution.

STATE FAIRGROUNDS

Mr. HARNESS of Indiana. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. HARNESS of Indiana. Mr. Speaker, the War Department at the beginning of this war took over a number of State fairgrounds throughout the country on leases that ran for the duration and 6 months at \$1 a year. I have offered a bill today directing the Secretary of War, upon the request of the respective governors, to return the fairgrounds within a period of 60 days and restore the buildings to the condition in which they were at the time they took them over. This will assure resumption of State fairs next year. This will be helpful to both industry and American farmers.

EXTENSION OF REMARKS

Mr. PRIEST asked and was given permission to extend his remarks in the Appendix of the RECORD and include an editorial.

GENERAL LEAVE TO EXTEND REMARKS ON THE DAYLIGHT-SAVING BILL AND LEGISLATIVE PROGRAM

Mr. MCCORMACK. Mr. Speaker, I ask unanimous consent that all Members may be permitted to extend their

remarks in the RECORD within five legislative days on the daylight-saving bill, H. R. 3974.

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, and I am not going to object, may I inquire from the majority leader as to what the program is going to be for the rest of the week.

Mr. MCCORMACK. There is no further legislation for the remainder of the week. The Members being advised may govern themselves accordingly. On Monday, the bill out of the Committee on Military Affairs having to do with voluntary enlistments will be brought up. It is my understanding that if there is a roll call vote on that bill the roll call will take place on Tuesday.

Mr. MARTIN of Massachusetts. That is my understanding.

Mr. HARNESS of Indiana. Mr. Speaker, will the gentleman yield?

Mr. MCCORMACK. I am glad to yield to the gentleman.

Mr. HARNESS of Indiana. I wonder why the Military Affairs Committee bill on voluntary enlistments was set over until Monday. I understood it was coming up tomorrow and I think it is of such vital importance that it ought not to be delayed any longer than is absolutely necessary.

Mr. MCCORMACK. All I can say to the gentleman is that the action was taken insofar as I know as the result of the suggestion of members of the committee.

Mr. HARNESS of Indiana. May I say to the gentleman that what we are attempting to do is to encourage voluntary enlistments.

Mr. MCCORMACK. Of course, I agree with the gentleman.

Mr. HARNESS of Indiana. That is to the end that we can hasten the termination of the draft and replace every single soldier who is serving abroad. I think we ought to hurry.

Mr. MCCORMACK. I concur in every statement that the gentleman has made with reference to the hastening of voluntary enlistments. But the gentleman asked me why the bill was going to be brought up on Monday. My understanding is that that is what was desired by the members of the committee handling the bill. Naturally, since the committee had such a desire, it is my recollection, though I may be wrong as I was not on the floor, that the ranking member of the committee was to submit the unanimous consent request. In other words, it was in agreement with the desires of the members of the committee.

Mr. HARNESS of Indiana. I want to make it clear that we came down here 10 days before the Congress convened and worked to get that legislation out. I do not understand why it is delayed another week. I am not saying it is the fault of the gentleman from Massachusetts.

Mr. MARTIN of Massachusetts. I understand that on tomorrow you will probably adjourn over until Monday. Is that the intention?

Mr. MCCORMACK. We probably will meet on Friday, but there will be no legislation.

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued September 14, 1945, for actions of Thursday, September 13, 1945)

(For staff of the Department only)

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HIGHLIGHT: Rep. Flannagan discussed his proposed amendment to exempt FCA-audited agencies from the auditing requirements of the Government-corporation bill.

HOUSE

LOANS. Rep. Knutson, Minn., spoke opposing post-war loans to foreign governments (pp. 8722-3).

SENATE

NOT IN SESSION. Next meeting Fri., Sept. 14, 1945.

BILLS INTRODUCED

FOREIGN TRADE. H.Res. 341, by Rep. Celler, N.Y., urging the U.S. to insist on fair trade practices by Great Britain. To Foreign Affairs Committee. (p.8723.)

VETERANS. H.R. 4051.

ITEMS IN APPENDIX

GOVERNMENT CORPORATIONS; FARM CREDIT. Speech in the House by Rep. Flannagan, Va., discussing with other members his proposed amendment to H. R. 3660, to provide for financial control of Government corporations, which would have exempted agencies audited by FCA appraisers from the audit provisions of this bill (pp. A4167-70).

MISSOURI RIVER PROJECT. Extension of remarks of Rep. Lenke, N.Dak., urging support for this project and discussing the proposed method of distribution of electric power to REA, to farmers and other others (pp. A4173-4).

COTTON MARKETS. Rep. Maloney, La., inserted B.J.Williams article on the "Future of Cotton in the Atomic Age" (p. A4173).

PRICE CONTROL; RATIONING. Extension of remarks of Rep. Auchincloss, N.J., including an Asbury Park Press editorial criticizing the "bureaucratic attitude" of paid OPA officials (p. A4173).

For supplemental information and copies of legislative material referred to call Ext. 4654, or send to Room 112 Adm. Arrangements may be made to be kept advised, routinely, of developments on any particular bill.

ITEMS IN FEDERAL REGISTER Sept. 12, 1945

8. PERSONNEL. CSC's war service regulations on reemployment after return from military service (pp. 11637-8).
9. SURPLUS PROPERTY Board's regulations on location of disposal agencies and exemption of OCD property loaned to State and local governments (pp. 11671, 11672).

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COMMITTEE HEARING ANNOUNCEMENTS for Sept. 14: S. Judiciary, Government reorganization bill; H. Appropriations, deficiency bill (ex.); H. Rules, public airports, veterans, reclamation projects, and road appropriations.

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HISTORICAL LEGISLATIVE-REFERENCE SERVICE:

Legislative-history compilations have been prepared on some of the more important legislation affecting agriculture. These histories consist of the various prints of bills, hearings, committee reports, debates, and laws, together with summaries of the legislation. Copies of bills and other legislative material for the last few years, including a set of the Congressional Record since 1900, are also on file in connection with this legislative-reference service.

All of this material is available for reference and lending purposes by calling Ext. 4654, or sending to Room 112 Administration Building.

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Appendix

Financial Control of Government Corporations

SPEECH
OF

HON. JOHN W. FLANNAGAN, JR.

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 12, 1945

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H. R. 3660) to provide for financial control of Government corporations.

Mr. MANASCO. Mr. Chairman, I yield 14 minutes to the gentleman from Virginia [Mr. FLANNAGAN].

Mr. FLANNAGAN. Mr. Chairman, I have asked for this time to discuss an amendment I propose to offer to section 301 of the bill. The amendment reads:

On page 11, line 3, after the period, insert the following:

"In the case of any wholly-owned or mixed-ownership Government corporation which is specifically required by law to be examined at least annually by examiners appointed or designated by the Farm Credit Administration, such examinations shall be in lieu of the requirements of sections 105, 106, 202, and 203 of this act and of section 5 of the act of February 24, 1945 (Public Law 4, 79th Cong.); but the Comptroller General shall from time to time review the scope of such examination and the adequacy of the reports thereof, and may make such report thereon in writing which he deems advisable to the Farm Credit Administration, to the President, and to the Congress."

I am in accord with the general objective of this legislation; namely, to bring Government corporations and their transactions and operations under annual scrutiny by Congress, and to restore to Congress appropriate control over the financial operations of such agencies. I want to commend the committee for the many constructive improvements they have made in this bill as compared with the original bill—specifically with respect to corporations serving agriculture. There still remains, however, a serious weakness in the auditing requirements as they affect the corporations which are under the supervision of the Farm Credit Administration.

Under the provisions of the bill as it now stands, "the financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States" (sec. 105). The bill also contains a similar requirement with respect to the auditing of the financial transactions of mixed-ownership Government corporations for any period

during which Government capital has been invested therein. (Sec. 202.)

In addition, there is a general provision—section 301 (a)—which requires every corporation to "reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General." It is further provided in section 301 (a) "that in making the audits provided in said sections, the Comptroller General shall, to the fullest extent deemed by him to be practicable, utilize reports of examinations of Government corporations made by a supervising administrative agency pursuant to law."

This means that the Comptroller General would be required to audit such agencies under the Farm Credit Administration as the Federal land banks, the production credit corporations, the central banks for cooperatives, and the regional banks for cooperatives, the Federal Farm Mortgage Corporation, and the Federal intermediate credit banks—except that he is required to utilize "to the fullest extent deemed by him to be practicable," the reports of examinations of these corporations made by the Farm Credit Administration, which, in this case, is the supervising administrative agency.

There is no justifiable reason for Congress requiring a separate audit of these farm-credit agencies by the Comptroller General. These corporations stand in an entirely different class from Government corporations which have been set up by Executive order and not by statutes enacted by Congress. In the case of these farm-credit corporations, they have all been established pursuant to enabling acts enacted by Congress; and Congress, by various statutes, has specifically charged the Farm Credit Administration with the responsibility not only of examining regularly and carefully the fiscal operations of these various corporations but also exercising supervision of these institutions.

At the end of my remarks I will insert in the RECORD the various provisions in the statutes under which Congress has placed specific responsibilities upon the Farm Credit Administration to make such regular and thorough examinations of these various corporations.

For example, in the case of the Federal land banks, the law now requires the Farm Credit Administration to have a thorough examination made of these banks at least once a year. The law further requires that "farm-credit examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national-bank examiners under chapters 2 and 3 of title 12 (U. S. Code) and other provisions of law." The existing statutes also require similar examinations by these farm-credit examiners of various

other corporations under the supervision of the Farm Credit Administration.

Furthermore, these examinations which are required by law to be made by the Farm Credit Administration go far beyond the scope of the audit. They include not only a thorough audit of fiscal and financial matters, but they also make a thorough examination of the operations of these institutions to see if they are carrying out all of the farm credit laws and rules and regulations thereunder in all of their operations and activities.

The cost of these examinations by examiners of the Farm Credit Administration is now required by law to be assessed against these corporations. Hence, in the last analysis, the farmer borrowers pay the cost of these examinations.

If another audit by the Comptroller General is to be required to be assessed against these corporations, it will be the farmer borrowers, in the last analysis, who will have to pay the cost of this additional audit. Thus, if this bill passes in its present form, the Comptroller General can make independent and complete audit of any and all of these corporations under the Farm Credit Administration, and assess the entire cost upon these corporations, thus imposing a double burden upon the farmer borrowers. This is an unnecessary and unfair burden to be imposed upon farmers who borrow from these institutions.

Congress has already adequately safeguarded the borrowers, the investing public, and the Government's investments through farm credit statutes which prescribe the extent and manner through which these corporations are to be supervised and regulated by the Farm Credit Administration.

Now, why should Congress come along and require another agency of the Federal Government to duplicate what the Farm Credit Administration is already doing in the manner already prescribed by Congress? I am in agreement that Congress should impose proper safeguards around the operations of Government corporations, but it simply does not make sense to me for Congress to provide two agencies to audit these farm credit agencies and impose a double cost upon the farmer borrowers. I can see no useful purpose whatever that can be accomplished by such a requirement.

Under the amendment which I have suggested, in the case of any wholly-owned or mixed-ownership Government corporation which is specifically required by law to be examined at least annually by examiners appointed or designated by the Farm Credit Administration, such examination shall be in lieu of the requirements in this bill for audits by the Comptroller General and the require-

ments of section 5 of the act of February 24, 1945.

However, I have provided that the Comptroller General "shall, from time to time review the scope of such examination and the adequacy of the reports thereof" and I have also authorized him to "make such report thereon in writing which he deems advisable to the Farm Credit Administration, to the President and to the Congress." Under this provision the Comptroller General must, from time to time, review the scope and adequacy of examinations and reports made by the Farm Credit Administration, and if he finds that they are inadequate or if he finds anything to criticize in them, he is authorized to make appropriate reports to the Farm Credit Administration, to the President, and to the Congress. It seems to me that this provision will accomplish every needed purpose so far as these farm credit agencies are concerned, and will avoid placing an unnecessary burden and expense upon these agencies and their farmer borrowers.

I desire also to insert at the end of my remarks a letter I have received from the American Farm Bureau Federation, strongly indorsing my amendment.

What will happen, if the amendment is not adopted, is this. The audit made under the existing law by the Farm Credit Administration is paid for by your local farm organization. The Farm Credit Administration has to make some four or five thousand audits every year, due to the fact that the audit has to be carried down to the local land bank associations, local P. C. A. Association, and so forth. Now they come along and require the General Accounting Office to duplicate every bit of this work. What does that mean? Under the provisions of the bill the cost of that duplication will be passed right down to your local association, and when the local associations find out that they have been charged twice for the audit, you are going to hear from them, meaning by "you" those of you who represent farm districts. I have never heard a complaint about a single examination made by the Farm Credit Administration. As a matter of fact, I do not know of a single Government department that has a higher standard set for its auditors. The reports are accepted by the country at large, and the best evidence of the fact is that the Federal farm land-bank bonds are selling right up with Government bonds today. If the investing public thought there was anything wrong with the audit those bonds would be at the bottom.

Mr. HENRY. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield to the gentleman from Wisconsin.

Mr. HENRY. Is it not a fact that the Comptroller General under the proposed bill could accept the examinations of these auditors of whom the gentleman speaks?

Mr. FLANNAGAN. The language is mandatory. He has to make the examination. Let me read the language:

Provided further, That in making the audits provided in said sections the Comptroller General shall, to the fullest extent

deemed by him to be practicable, utilize reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

Under that language, the Comptroller General could "to the fullest extent deemed by him to be practicable" use the audits that have been made by the Farm Credit Administration.

Mr. HENRY. So it would not necessarily be a duplication of effort.

Mr. FLANNAGAN. I do not know if there would be a complete duplication or not. I do know that the bill makes it mandatory upon the General Accounting Office to make audit known. Here you have an auditing agency set up that is recognized from one end of this country to the other as being one of the most competent auditing agencies in America. You are going to disregard its work, paid for by the farms of America, and provide for a second audit by the General Accounting Office, and saddle every penny of that cost upon the farmers.

Mr. HENRY. Does the distinguished gentleman disagree with the statement made by the Comptroller General:

For every exemption granted from its provisions, the Congress will lose just that much of the benefit to be obtained from this uniform pattern of control and independent report.

Mr. FLANNAGAN. I certainly do, when it comes to the Farm Credit Administration, because we have a real audit made by that Administration, and have had from the beginning. This Congress set the pattern. This Congress said that those auditors shall measure up in standard to the examiners of the Federal land banks, one of the highest standards we have in this country.

Mr. HENRY. The Comptroller General's Office is, after all, an arm of the Congress.

Mr. FLANNAGAN. So is the Farm Security Administration. But the Comptroller General's Office is not staffed by men of the type of the Federal bank examiners. Everyone knows that. Yet the auditors in the Farm Credit Administration, under act of this Congress, have to measure up to such a standard.

Mr. MANASCO. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield to the gentleman from Alabama.

Mr. MANASCO. Under the audit provisions of the First Deficiency Act of 1945, Public, No. 40, the Comptroller General is already directed to make these audits. They are not the commercial type of audits such as we have provided in this bill but are direct Government audits. It means they have to audit every voucher and everything else, and the cost is imposed on the Farm Credit Administration.

Mr. FLANNAGAN. The gentleman is talking about the George law now?

Mr. MANASCO. I am talking about the First Deficiency Act.

Mr. FLANNAGAN. Under the George Act, passed in February 1945, that is true, but you do away with the George Act in this proposed legislation.

Mr. MANASCO. The First Deficiency Act provides that.

Mr. FLANNAGAN. Here we have an agency set up to audit these farm credit organizations.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield to the gentleman from Mississippi.

Mr. WHITTINGTON. The gentleman's statement that this bill does away with the George Act, with all due deference, is utterly inaccurate.

The George act provides for the auditing of all Government corporations. So does this act. Under the George Act the Farm Credit Administration contended that the Federal land banks were exempt because they were not wholly owned. Instead of repealing the George Act, instead of destroying it, this bill carries forward and clarifies and improves the language of the George Act. In other words, as the law now stands, it is required that these corporations be audited. This is a more liberal act and a more generous provision than the provisions of the George Act.

Mr. FLANNAGAN. May I say to the gentleman from Mississippi that under the substantive law as originally passed setting up the auditing system for the Farm Credit Administration certain standards were established, namely, that these auditors had to measure up to the level of Federal land-bank examiners. The George Act was passed in February 1945 and there was some question as to whether or not it included some of these farm lending agencies.

Mr. WHITTINGTON. I know of the gentleman's interest in agriculture. Personally, I have been interested and I was in Congress when the production credit corporations were organized. I doubt if there is a Member who is more interested in Production Credit than I am. May I say to the gentleman that in the hearings he will find the committee in every way did its dead level best to prevent any duplication of the cost. It is true that these agencies will pay it, but it is also true that people of the United States put the money up for the capital stock of these corporations. It is also true, and I am not saying that the bank examiners are not qualified, but it is also true that one national bank after the other with good bank examiners failed just as fast as they could when the crash of 1929 came upon us.

Mr. FLANNAGAN. Yes; and the Federal land banks examined by these auditors I am speaking of stood up during the whole depression.

Mr. WHITTINGTON. With all due respect—I am not criticizing—but is it not true that instead of those audits standing up the Government of the United States doubled the capital stock of the Federal land banks audited by those institutions and that if we had been advised by a look-in we might have discovered long before we did that that capital stock had been impaired? We, I and other Members of Congress, voted money out of the Public Treasury to supplement and double the capital stock of the Federal land banks.

Mr. FLANNAGAN. Yes; and the Federal Government will get every penny of it back. Do not worry about that.

Practically all of the banks are in a position now to retire every penny of Government stock.

Mr. WHITTINGTON. That is a fine statement, and under the terms of this bill, when they do it, they are automatically exempted from it. That is the complete answer to your contention.

Mr. FLANNAGAN. It is not the complete answer.

Mr. WHITTINGTON. At least it is in my view.

Mr. FLANNAGAN. We have the best auditing system I know of in this country outside of the national bank system. Why do you want to duplicate it and pass the cost on down to the farmers?

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. COOLEY. Can the gentleman give the House any idea of the number of corporations within the Farm Credit Administration which would be subject to this audit?

Mr. FLANNAGAN. We have to make each year nearly 5,000 separate audits.

Mr. COOLEY. Does that indicate there are at least 5,000 separate organizations within the Farm Credit?

Mr. FLANNAGAN. Why, certainly, when you go down to your local land bank association, the PCA and the cooperatives, there are at least 5,000.

Mr. COOLEY. In other words, every loan made to a cooperative association would come under the supervision of the General Accounting Office?

Mr. FLANNAGAN. Absolutely. At present all the local associations are audited by the Farm Credit Administration. When you further provide, as this bill does, that these local associations have to be audited by the General Accounting Office, you simply duplicate the work and the cost.

Mr. WHITTINGTON. With all due deference, with respect to 5,000 audits, there are just 12 intermediate credit banks.

Mr. FLANNAGAN. I could give the gentleman some figures on that.

Mr. WHITTINGTON. That is true, is it not?

Mr. FLANNAGAN. That is true.

Mr. COOLEY. You mean production credit associations.

Mr. WHITTINGTON. This is the Production Credit Corporation. We are not talking about associations.

Mr. FLANNAGAN. But you have to audit each association. The national level, the district level, the State level, the county level, and when you get down to the county level you break it up into the different associations in the counties.

Mr. COOLEY. Will the gentleman yield to see whether or not the gentleman from Mississippi agrees with that statement?

Mr. WHITTINGTON. No. We just provided for the Credit Corporation audits. With all due deference, we have only provided for 101 corporations altogether, and your statement that we would have to audit every little corporation is not supported by this bill.

Mr. FLANNAGAN. That is the law today. When you require the PCA to be audited, the only way you can audit the PCA is to get right down to the grass roots

and start right up and audit every local PCA in America. The same is true of your local Federal land bank associations.

Mr. WHITTINGTON. And you are entitled to do that if you want to, and you pay for it.

Mr. FLANNAGAN. That is the kind of audit we make, and this bill duplicates the work. For instance, take the Federal Land Bank of Baltimore, which serves Pennsylvania, Maryland, and Virginia. You could not audit the Federal Land Bank of Baltimore by going to the general office in Baltimore. The only way the audit could be made would be by going to every local land bank association in Pennsylvania, Maryland, and Virginia and working a complete audit of each association.

LAWS REQUIRING EXAMINATIONS TO BE MADE BY THE FARM CREDIT ADMINISTRATION OF CREDIT UNITS UNDER ITS SUPERVISION

Federal land banks, title 12, sections 831, 952, United States Code.

Joint stock land banks, title 12, sections 831, 952, United States Code.

National farm loan associations, title 12, sections 831, 952, United States Code

Sec. 831. Enumeration (powers of Farm Credit Administration) shall have power—

* * * * *

(e) Requiring reports, etc.; examining banks and associations.

To require reports and statements of condition and to make examinations of all banks or associations doing business under the provisions of this subchapter.

* * * * *

Sec. 952. Requirements, responsibilities, and penalties applicable to examiners; examinations; reports.

Farm credit examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national-bank examiners under chapters 2 and 3 of this title and other provisions of law. Whenever directed by the Farm Credit Administration, said examiners shall examine the condition of any national farm loan association and report the same to the Land Bank Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least once each year. (As amended July 12, 1943, ch. 215, sec. 1, 57 Stat. 424.)

Federal intermediate credit banks, title 12, section 951, United States Code.

Sec. 951. Farm Credit Examiners; appointment; number.

The Farm Credit Administration shall appoint as many a farm credit examiners as in its judgment may be required to make careful examinations of the banks and associations permitted to do business under this subchapter and subchapter III of this chapter. (July 17, 1916, ch. 245, sec. 28, 39 Stat. 381; Executive Order No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, sec. 20, 50 Stat. 710.)

Production credit corporations, title 12, section 1138a, United States Code.

Production credit associations, title 12, section 1138a, United States Code.

Central Bank for Cooperatives, title 12, section 1138a, United States Code.

Banks for cooperatives, title 12, section 1138a, United States Code.

Sec. 1138a. Examination; assessments against corporations for cost of examinations.

At least once each year and at such other times as the Governor deems necessary, the Central Bank for Cooperatives, and each production credit corporation, production credit association, and bank for cooperatives, organized under this chapter, shall be examined by examiners designated by the Governor. The Governor shall assess the cost of

such examinations against the bank, association, or corporation examined, which shall pay such costs to the Governor. The amounts so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans (June 16, 1933, ch. 98, sec. 61, 48 Stat. 267).

Each of the above institutions is required to pay the cost of these examinations by section 601a of the act of September 21, 1944 (Public Law 425, Department of Agriculture Organic Act of 1944).

"Sec. 601. (a) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate for the ensuing fiscal year the cost of examinations of the joint-stock land banks, Federal land banks, national farm-loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations; shall apportion the amount so determined among the joint-stock land banks, Federal land banks, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations on such equitable basis as said administration shall determine; and shall assess against and collect in advance the amount so apportioned from the banks, corporations, and other organizations among which the apportionment is made."

The Federal Farm Mortgage Corporation and the Regional Agricultural Credit Corporation are examined by Farm Credit examiners by orders of their respective boards of directors. Each corporation examined pays for the cost of its examination.

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., September 11, 1945.
HON. JOHN W. FLANNAGAN,
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D. C.

MY DEAR CHAIRMAN FLANNAGAN: On behalf of the American Farm Bureau Federation I wish to advise you that we heartily support your amendment to H. R. 3660 which eliminates the provision for a separate audit by the Comptroller General of Farm Credit Corporations under the Farm Credit Administration which are already required by existing law to be audited by examiners of the Farm Credit Administration.

We can see no useful purpose in having additional audit of these corporations by the Comptroller General as these corporations have been set up pursuant to acts of Congress and the Farm Credit Administration is specifically charged with the responsibility by various statutes already enacted by Congress, not only to have careful and regular examinations made of these corporations but to exercise supervision over their operations and activities pursuant to various statutory requirements. We see no objection, however, to permitting the Comptroller General to examine the scope and adequacy of these audits by farm credit examiners and to report such findings and recommendations as he sees fit, but to require or permit the Comptroller General to make a separate and additional audit of these corporations places an unfair and unnecessary burden upon them and upon the farmer-borrowers. When all is said and done, the final cost of these audits has to be paid by the farmer-borrowers.

We favor the general objectives of H. R. 3660 to bring Government corporations and their operations under annual scrutiny by Congress to give Congress a greater measure of financial control over their operations, but it is vitally important not to unduly hamper or jeopardize the proper functioning of these agencies which have been set up by Congress to aid agriculture. President

O'Neal in a statement submitted to members of the Committee on Expenditures in Executive Departments pursuant to action taken by the Board of Directors supported the general objectives of this legislation but urged a number of amendments to safeguard the operations of the Commodity Credit Corporations and the Tennessee Valley Authority and completely exempt the Farm Credit Agencies under the supervision of the Farm Credit Administration from the provisions of this legislation. Since then the bill has been greatly improved and, in the main, the bill as reported by the committee appears to correct most of the objectionable features as they affect these particular agencies. However, the bill still contains a serious defect in the auditing requirements affecting Farm Credit Corporations under the Farm Credit Administration. Your amendment will effectively correct this defect. We sincerely hope that your amendment will be adopted.

Sincerely yours,

W. R. Ogg,
Director, Washington Office.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

The Facts of Demobilization

EXTENSION OF REMARKS

OF

HON. WALTER G. ANDREWS

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 13, 1945

Mr. ANDREWS of New York. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following statement issued to all Members of Congress by the Chief of Staff of the Army, General Marshall:

THE FACTS OF DEMOBILIZATION THE PROBLEM

When Germany surrendered the Army had 5,500,000 men overseas. Of this number, 3,500,000 were in Europe, the British Isles, Africa, and the Middle East. It was then imperative to move hundreds of thousands of these men with the greatest possible speed to the Pacific to end the Japanese war without a single bloody and costly day of delay. Although Japan was already desperate under our air and sea attacks and the atomic bomb was in the last stages of experiment, it would have been criminal to risk Japan's not fighting to a suicidal finish and therefore to delay movement of our men toward the Pacific. If the Japanese continued to fight to the death as they did on the Pacific islands, these troops would be needed critically for a fighting invasion of the Japanese islands. But Japan surrendered, and it became urgent to demobilize the armed forces as quickly and fairly as possible.

At the same time, having won the war, it was just as critical to secure the peace. This required among other things that effective occupation forces be maintained both in Europe and the Japanese Empire in addition to garrisons needed for our overseas bases. There were, when the fighting stopped, more than 8,000,000 men and women in the Army. The War Department estimated that with an intake of 500,000 new men from selective-service inductions in the 12 months ahead it could immediately begin to demobilize 6,050,000 of those who had already served their country. This is being done with the greatest possible speed and will be completed in the next 10 months.

THE COMPLICATIONS

The difficulties involved in returning more than 4,000,000 men and women thousands of

miles from overseas are tremendous. Plans must be laid carefully if this job is to be done quickly and efficiently and our shipping is to be used to the fullest possible extent. Fairness to and understanding of the right of the individual must be considered carefully. The quickest way to demobilize this many men and women would be to load units nearest the ports into the ships as fast as they arrive. This, however, would be unfair. In Europe and in the Pacific there are hundreds of thousands of men who have been fighting for their country for long periods. Many of them have endured month after month of bitter combat. Many of them have been wounded. If whole units were returned to the United States for discharge it would result in allowing many men who have been in the Army only a short time and who have had little or no combat to get out while those who have fought the longest and hardest had to wait behind. Even if we were to select the veteran combat units who have been overseas the longest, this injustice would still result. The personnel of combat divisions and air groups has changed many times because of casualties in the heavy fighting and extreme exposure to weather and disease. In most veteran units there were thousands of men who had just joined the Army and who had just arrived overseas when the war ended. If these units were returned and discharged, the newcomers would get out while the veterans of years of service overseas and long combat in other units waited behind. Fairness demanded, therefore, that men be selected on the basis of their individual service for return to this country and discharge.

It would have been simpler to concentrate first on the demobilization of the forces in the European theater rather than to carry it out on an equal basis throughout the world, but this would have discriminated against soldiers who have fought for years in the Pacific and would have been so damaging to their morale that the task of securing the surrender of Japan's completely equipped armies of 7,000,000 men would have been seriously jeopardized. Likewise all soldiers on duty in the United States could not be discharged even though these men are already here and do not place a burden on the shipping; for many of them are needed to man the camps and installations in the United States being used for the discharge of troops returning from overseas. Unless soldiers are to be discharged without exact records of their service, physical examinations, complete hospitalization, and a guaranty that all of their prerogatives under the GI bill of rights have been protected, it is necessary to keep on duty at the demobilization centers sufficient numbers of highly trained personnel.

A similar example is the case of the Air Transport Service. The big transport planes which span the oceans are very complicated pieces of machinery. The lives of many men are at stake when these planes are in the air over unbroken stretches of water. It takes a long time, at least a year, to train already qualified combat pilots to operate safely these large transoceanic transports. But most of these crews which have already been trained have been in service a long time and are anxious to be discharged like any other veteran. If they all were discharged immediately there would be no one to take their places and therefore the planes would not fly. This would, of course, delay the return of thousands more men overseas who are now returning by air transport. These are just a few of the conflicting problems of fair and speedy demobilization. There are many more, but these give the idea of what a job it is.

THE DISCHARGE SYSTEM

In developing a plan to return millions of men from foreign countries to the United States and discharge them from the Army, both speedily and fairly, it is impossible to find a solution which pleases everybody.

The War Department decided that the men themselves should be given the chance to say how the system which affects their individual lives should operate. Survey teams similar to those used by the well-known public-opinion polls in this country were sent to every theater to ask the troops. The survey was conducted for an entire year. From it was developed the now well-known point system.

Points take into consideration the length of service both in this country and overseas, the amount of combat a man has had, and the size of the immediate family which is dependent upon him. The soldier receives 1 point for each month in the Army, 1 additional point for each month overseas, 5 points for each decoration or battle participation star, and 12 points for each dependent child up to a total of 3. The point scores were originally computed on May 12, after the defeat of Germany. They were recomputed as of September 2, and throughout the demobilization the point score necessary for discharge will be lowered again and again until the temporary forces have all been returned to civilian life.

At first, because of the critical job of moving troops from Europe to the Pacific in case they were needed to fight Japan, there were a number of highly technical skills which were so essential to the operations of the Army that enlisted men in those classifications were retained in the Army regardless of their point score. By September the list of skills had been reduced from 19 to 3. There are only a few men with the listed critical skills in the Army. Nevertheless, the War Department has ruled that even though an enlisted man has one of these skills he cannot be held in the Army for more than 6 months after he has become eligible for release under the point system.

Some officers, similarly, may be retained for a maximum of 6 months even after they become eligible for release under the point scores because of their critical abilities in the handling of the transportation system on which speedy demobilization depends or in government of occupied enemy countries.

There are several ways other than by age or point score in which officers and enlisted men may be discharged. These have been established to cover necessary exceptions to general policy and to prevent undue hardships to families or retarding of the Nation's effort to restore its peacetime way of life.

Officers and enlisted men who are not eligible for release under the age or point system may be discharged if their families are so dependent on their earning ability or family leadership that undue hardships would result if they were retained in service.

A hardship discharge application must be accompanied by affidavits of two or more persons other than members of the applicant's immediate family attesting the situation in the man's home. The decision is left to the designated senior commanders in the field without reference to the War Department. If a soldier is overseas, his family may submit the request for discharge to The Adjutant General, War Department, Washington 25, D. C., in affidavit form, accompanied by the two affidavits from persons other than members of the family.

The standards of hardship discharge have been made as liberal as possible. Applications for discharge because of special importance to national health, safety, and interest in the reconversion effort must be made by officers and enlisted men themselves to their immediate commanding officer, whether in this country or overseas, together with appropriate supporting statements or data. The decision again is made by field commanders without reference to the War Department.

REPLACEMENTS FOR OCCUPATIONAL FORCES

Even though the point system of demobilization will temporarily leave behind low-point men for occupation duty, it will be necessary to send overseas replacements for

79TH CONGRESS
1ST SESSION

H. R. 3660

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 14 (legislative day, SEPTEMBER 10), 1945

Read twice and referred to the Committee on Banking and Currency

AN ACT

To provide for financial control of Government corporations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Government Corporation
4 Control Act".

5 DECLARATION OF POLICY

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

1 TITLE I—WHOLLY OWNED GOVERNMENT
2 CORPORATIONS

3 SEC. 101. As used in this Act the term “wholly owned
4 Government corporation” means the Commodity Credit Cor-
5 poration; Federal Intermediate Credit Banks; Production
6 Credit Corporations; Regional Agricultural Credit Corpora-
7 tions; Farmers Home Corporation; Federal Crop Insurance
8 Corporation; Federal Farm Mortgage Corporation; Federal
9 Surplus Commodities Corporation; Reconstruction Finance
10 Corporation; Defense Plant Corporation; Defense Supplies
11 Corporation; Metals Reserve Company; Rubber Reserve
12 Company; War Damage Corporation; Federal National
13 Mortgage Association; The RFC Mortgage Company;
14 Disaster Loan Corporation; Inland Waterways Corporation;
15 Warrior River Terminal Company; The Virgin Islands Com-
16 pany; Federal Prison Industries, Incorporated; United States
17 Spruce Production Corporation; Institute of Inter-American
18 Affairs; Institute of Inter-American Transportation; Inter-
19 American Educational Foundation, Incorporated; Inter-
20 American Navigation Corporation; Prencinradio, Incor-
21 porated; Cargoes, Incorporated; Export-Import Bank of
22 Washington; Petroleum Reserves Corporation; Rubber De-
23 velopment Corporation; U. S. Commercial Company;
24 Smaller War Plants Corporation; Federal Public Hous-
25 ing Authority (or United States Housing Authority) and

1 including public housing projects financed from appropri-
2 ated funds and operations thereof; Defense Homes Corpo-
3 ration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Panama Railroad Company; Tennessee Valley
6 Authority; and Tennessee Valley Associated Cooperatives,
7 Incorporated.

8 SEC. 102. Each wholly owned Government corporation
9 shall cause to be prepared annually a budget program, which
10 shall be submitted to the President through the Bureau of
11 the Budget on or before September 15 of each year. The
12 Bureau of the Budget, under such rules and regulations as
13 the President may establish, is authorized and directed to
14 prescribe the form and content of, and the manner in which
15 such budget program shall be prepared and presented. The
16 budget program shall be a business-type budget, or plan of
17 operations, with due allowance given to the need for flexi-
18 bility, including provision for emergencies and contingencies,
19 in order that the corporation may properly carry out its
20 activities as authorized by law. The budget program shall
21 contain estimates of the financial condition and operations
22 of the corporation for the current and ensuing fiscal years
23 and the actual condition and results of operation for the last
24 completed fiscal year. Such budget program shall include a
25 statement of financial condition, a statement of income and

1 expense, an analysis of surplus or deficit, a statement of
2 sources and application of funds, and such other supple-
3 mentary statements and information as are necessary or de-
4 sirable to make known the financial condition and operations
5 of the corporation. Such statements shall include estimates
6 of operations by major types of activities, together with esti-
7 mates of administrative expenses, estimates of borrowings,
8 and estimates of the amount of Government capital funds
9 which shall be returned to the Treasury during the fiscal year
10 or the appropriations required to provide for the restoration
11 of capital impairments.

12 SEC. 103. The budget programs of the corporations as
13 modified, amended, or revised by the President shall be
14 transmitted to the Congress as a part of the annual Budget
15 required by the Budget and Accounting Act, 1921. Amend-
16 ments to the annual budget programs may be submitted from
17 time to time.

18 Budget programs shall be submitted for all wholly owned
19 Government corporations covering operations for the fiscal
20 year commencing July 1, 1946, and each fiscal year there-
21 after.

22 SEC. 104. The budget programs transmitted by the
23 President to the Congress shall be considered and, if nec-
24 essary, legislation shall be enacted making available such
25 funds or other financial resources as the Congress may de-

1 termine. The provisions of this section shall not be con-
2 strued as preventing wholly owned Government corpora-
3 tions from carrying out and financing their activities as
4 authorized by existing law, nor shall any provisions of this
5 section be construed as affecting in any way the provisions
6 of section 26 of the Tennessee Valley Authority Act, as
7 amended. The provisions of this section shall not be con-
8 strued as affecting the existing authority of any wholly
9 owned Government corporation to make contracts or other
10 commitments without reference to fiscal-year limitations.

11 SEC. 105. The financial transactions of wholly owned
12 Government corporations shall be audited by the General
13 Accounting Office in accordance with the principles and
14 procedures applicable to commercial corporate transactions
15 and under such rules and regulations as may be prescribed
16 by the Comptroller General of the United States: *Provided*,
17 That such rules and regulations may provide for the reten-
18 tion at the offices of such corporations, in whole or in part,
19 of any accounts of accountable officers, covering corporate
20 financial transactions, which are required by existing law
21 to be settled and adjusted in the General Accounting Office,
22 and for the settlement and adjustment of such accounts in
23 whole or in part upon the basis of examinations in the
24 course of the audit herein provided, but nothing in this
25 proviso shall be construed as affecting the powers reserved

1 to the Tennessee Valley Authority in the Act of Novem-
2 ber 21, 1941 (55 Stat. 775). The audit shall be con-
3 ducted at the place or places where the accounts of the
4 respective corporations are normally kept. The representa-
5 tives of the General Accounting Office shall have access to
6 all books, accounts, financial records, reports, files, and all
7 other papers, things, or property belonging to or in use by
8 the respective corporations and necessary to facilitate the
9 audit, and they shall be afforded full facilities for verifying
10 transactions with the balances or securities held by deposi-
11 taries, fiscal agents, and custodians. The audit shall begin
12 with the first fiscal year commencing after the enactment of
13 this Act.

14 SEC. 106. A report of each such audit for each fiscal
15 year ending on June 30 shall be made by the Comptroller
16 General to the Congress not later than January 15 following
17 the close of the fiscal year for which such audit is made.
18 The report shall set forth the scope of the audit and shall
19 include a statement (showing intercorporate relations) of
20 assets and liabilities, capital and surplus or deficit; a state-
21 ment of surplus or deficit analysis; a statement of income
22 and expense; a statement of sources and application of
23 funds; and such comments and information as may be
24 deemed necessary to keep Congress informed of the opera-
25 tions and financial condition of the several corporations,

1 together with such recommendations with respect thereto as
2 the Comptroller General may deem advisable, including a
3 report of any impairment of capital noted in the audit and
4 recommendations for the return of such Government capital
5 or the payment of such dividends as, in his judgment, should
6 be accomplished. The report shall also show specifically
7 any program, expenditure, or other financial transaction or
8 undertaking observed in the course of the audit, which, in
9 the opinion of the Comptroller General, has been carried
10 on or made without authority of law. A copy of each re-
11 port shall be furnished to the President, to the Secretary of
12 the Treasury, and to the corporation concerned at the time
13 submitted to the Congress.

14 SEC. 107. Whenever it is deemed by the Director of
15 the Bureau of the Budget, with the approval of the Presi-
16 dent, to be practicable and in the public interest that any
17 wholly owned Government corporation be treated with re-
18 spect to its appropriations, expenditures, receipts, accounting,
19 and other fiscal matters as if it were a Government agency
20 other than a corporation, the Director shall include in con-
21 nection with the budget program of such corporation in
22 the Budget a recommendation to that effect. If the Congress
23 approves such recommendation in connection with the bud-
24 get program for any fiscal year, such corporation, with respect
25 to subsequent fiscal years, shall be regarded as an establish-

1 any program, expenditure, or other financial transaction
2 or undertaking observed in the course of the audit, which,
3 in the opinion of the Comptroller General, has been carried
4 on or made without authority of law. A copy of each report
5 shall be furnished to the President, to the Secretary of the
6 Treasury, and to the corporation concerned at the time
7 submitted to the Congress.

8 SEC. 204. The President shall include in the annual Budget
9 any recommendations he may wish to make as to the return
10 of Government capital to the Treasury by any mixed-owner-
11 ship corporation.

12 TITLE III—GENERAL PROVISIONS

13 SEC. 301. (a) The expenses of auditing the financial
14 transactions of wholly owned and mixed-ownership Gov-
15 ernment corporations as provided in sections 105 and 202 of
16 this Act shall be borne out of appropriations to the General
17 Accounting Office, and appropriations in such sums as may
18 be necessary are hereby authorized: *Provided*, That each
19 such corporation shall reimburse the General Accounting
20 Office for the full cost of any such audit as billed therefor
21 by the Comptroller General, and the General Accounting
22 Office shall deposit the sums so reimbursed into the Treasury
23 as miscellaneous receipts: *Provided further*, That in making
24 the audits provided in said sections the Comptroller General
25 shall, to the fullest extent deemed by him to be practicable,

1 utilize reports of examinations of Government corporations
2 made by a supervising administrative agency pursuant to
3 law.

4 (b) For the purpose of conducting such audit the
5 Comptroller General is authorized in his discretion to employ
6 not more than ten persons without regard to the Classifica-
7 tion Act of 1923, as amended, only one of whom may be
8 compensated at a rate of as much as but not more than
9 \$10,000 per annum, and to employ by contract, without
10 regard to section 3709 of the Revised Statutes, professional
11 services of firms and organizations for temporary periods
12 or for special purposes.

13 (c) The audit provided in sections 105 and 202 of this
14 Act shall be in lieu of any audit of the financial transactions
15 of any Government corporation required to be made by the
16 General Accounting Office for the purpose of a report to the
17 Congress or to the President under any existing law.

18 (d) Unless otherwise expressly provided by law, no
19 funds of any Government corporation shall be used to pay
20 the cost of any private audit of the financial records of the
21 offices of such corporation, except the cost of such audits
22 contracted for and undertaken prior to April 25, 1945.

23 SEC. 302. The banking or checking accounts of all
24 wholly owned and mixed-ownership Government corpora-
25 tions shall be kept with the Treasurer of the United States,

1 or, with the approval of the Secretary of the Treasury, with
2 a Federal Reserve bank, or with a bank designated as a
3 depository or fiscal agent of the United States: *Provided*,
4 That the Secretary of the Treasury may waive the require-
5 ments of this section under such conditions as he may deter-
6 mine: *And provided further*, That this section will not apply
7 to the establishment and maintenance in any bank for a
8 temporary period of banking and checking accounts not in
9 excess of \$50,000 in any one bank. The provisions of this
10 section shall not be applicable to Federal Intermediate Credit
11 Banks, Production Credit Corporations, the Central Bank
12 for Cooperatives, the Regional Banks for Cooperatives, or
13 the Federal Land Banks, except that each such corporation
14 shall be required to report annually to the Secretary of the
15 Treasury the names of the depositories in which such cor-
16 poration keeps a banking or checking account, and the Sec-
17 retary of the Treasury may make a report in writing to the
18 corporation, to the President, and to the Congress which
19 he deems advisable upon receipt of any such annual report.

20 SEC. 303. (a) All bonds, notes, debentures, and other
21 similar obligations which are hereafter issued by any wholly
22 owned or mixed-ownership Government corporation and
23 offered to the public shall be in such forms and denomina-
24 tions, shall have such maturities, shall bear such rates of
25 interest, shall be subject to such terms and conditions, shall

1 be issued in such manner and at such times and sold at such
2 prices as have been or as may be approved by the Secretary
3 of the Treasury.

4 (b) Hereafter, no wholly owned or mixed-ownership
5 Government corporation shall sell or purchase any direct obli-
6 gation of the United States or obligation guaranteed as to
7 principal or interest, or both, for its own account and in its
8 own right and interest, at any one time aggregating in
9 excess of \$100,000, without the approval of the Secretary
10 of the Treasury: *Provided*, That the Secretary of the Treas-
11 ury may waive the requirement of his approval with respect
12 to any transaction or classes of transactions subject to the
13 provisions of this subsection for such period of time and
14 under such conditions as he may determine.

15 (c) The Secretary of the Treasury is hereby author-
16 ized to exercise any of the functions vested in him by this
17 section through any officer or employee of any Federal
18 agency whom he may designate, with the concurrence of
19 the head of the agency concerned, for such purpose.

20 (d) Any mixed-ownership Government corporation
21 from which Government capital has been entirely withdrawn
22 shall not be subject to the provisions of section 302 or of this
23 section during the period such corporation remains without
24 Government capital. The provisions of subsections (a) and
25 (b) of this section shall not be applicable to Federal Inter-

1 mediate Credit Banks, Production Credit Corporations, the
2 Central Bank for Cooperatives, the Regional Banks for
3 Cooperatives, or the Federal Land Banks, except that each
4 such corporation shall be required to consult with the Secre-
5 tary of the Treasury prior to taking any action of the kind
6 covered by the provisions of subsections (a) and (b) of this
7 section, and in the event an agreement is not reached, the
8 Secretary of the Treasury may make a report in writing
9 to the corporation, to the President, and to the Congress
10 stating the grounds for his disagreement.

11 SEC. 304. (a) No corporation shall be created, organ-
12 ized, or acquired hereafter by any officer or agency of the
13 Federal Government or by any Government corporation for
14 the purpose of acting as an agency or instrumentality of the
15 United States, except by Act of Congress or pursuant to an
16 Act of Congress specifically authorizing such action.

17 (b) No wholly owned Government corporation created
18 by or under the laws of any State, Territory, or possession
19 of the United States or any political subdivision thereof, or
20 under the laws of the District of Columbia, shall continue
21 after June 30, 1948, as an agency or instrumentality of the
22 United States, and no funds of, or obtained from, the United
23 States or any agency thereof, including corporations, shall
24 be invested in or employed by any such corporation after that
25 date, except for purposes of liquidation. The proper corpo-

1 rate authority of every such corporation shall take the neces-
2 sary steps to institute dissolution or liquidation proceedings
3 on or before that date: *Provided*, That prior thereto any
4 such corporation may be reincorporated by Act of Congress
5 for such purposes and term of existence and with such pow-
6 ers, privileges, and duties as authorized by such Act, includ-
7 ing the power to take over the assets and assume the liabili-
8 ties of its respective predecessor corporation.

Passed the House of Representatives September 12, 1945.

Attest:

SOUTH TRIMBLE,

Clerk.

79TH CONGRESS
1ST Session

H. R. 3660

AN ACT

To provide for financial control of Government
corporations.

SEPTEMBER 14 (legislative day, SEPTEMBER 10), 1945

Read twice and referred to the Committee on
Banking and Currency

FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

NOVEMBER 2 (legislative day, OCTOBER 29), 1945.—Ordered to be printed

Mr. FULBRIGHT (for himself and Mr. BUTLER), from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 3660]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 3660) to provide for financial control of Government corporations, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

On February 5, 1945, there was introduced in the Senate the Byrd-Butler bill, S. 469, to provide for financial control of Government corporations. Shortly thereafter, Representatives Case, of South Dakota, and Whittington, of Mississippi, introduced in the House, bills H. R. 2051 and H. R. 2177, respectively, identical to S. 469. Full hearings were held on S. 469 by a subcommittee of the Senate Banking and Currency Committee in April and May 1945. Following the hearings staff members of the committee and of the Joint Committee on Reduction of Nonessential Federal Expenditures met with representatives of the Bureau of the Budget, the General Accounting Office, the Treasury Department, and the corporations concerned, to suggest revisions of the bill to meet objections raised by the corporations to S. 469 on the ground that the flexibility of their operations would be hampered by the bill as originally drawn. The revised bill was then made available to the House Committee on Expenditures in the Executive Departments during its hearings on H. R. 2177. After further revisions the House committee authorized the introduction of the present bill, H. R. 3660, embodying all amendments agreed upon as a result of the hearings. As so revised, H. R. 3660 eliminates any justifiable objections to the more stringent provisions of S. 469 and H. R. 2177. In this connection, the committee desires to call attention to the following communications from the President in support of this legislation:

THE WHITE HOUSE,
Washington, June 11, 1945.

HON. ABE MURDOCK,
*Chairman, Subcommittee on Banking and Currency,
United States Senate, Washington, D. C.*

MY DEAR SENATOR MURDOCK: By direction of the President I am sending you herewith a copy of his letter to the chairman of the House Committee on Expenditures in the Executive Departments endorsing the Byrd-Butler bill.

Sincerely yours,

CHARLES G. ROSS,
Secretary to the President.

THE WHITE HOUSE,
Washington, June 11, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. MANASCO: I am writing this note to eliminate any misunderstanding as to my attitude on the Byrd-Butler bill which is now before your committee as H. R. 2177.

I heartily favor this proposal. It is a long-delayed, forward step applying the sound doctrine of an executive budget, as enacted in the Budget and Accounting Act of 1921, to the many important Government corporations which have since come upon the scene.

Sincerely yours,

HARRY S. TRUMAN.

BACKGROUND

Although it was settled early in the history of the Nation that a Government corporation is a constitutional means of carrying into effect legitimate powers of the Federal Government, little use was made of this form of organization prior to World War I. When the Budget and Accounting Act was enacted in 1921 to provide a Federal budget system and an independent audit of Government accounts, most of the wartime corporations were in process of liquidation, and financial control of Government corporations was not a major problem.

Since the date of that act the United States has passed through the economic emergency period of the 1930's and the defense and war period of the present decade. Each of these periods has contributed a large number of Government corporations. The result is that today we have a total aggregation of about 100 separate corporations employing scores of thousands of workers and controlling billions of dollars of Government funds with which they engage in almost every imaginable field of business, insurance, and finance, as well as governmental operations such as subsidies and flood control. As of June 30, 1945, the gross assets of these Government corporations, including interagency items, were in excess of \$29,000,000,000, and the Government's total interest in such corporations amounted to more than \$13,000,000,000. With this tremendous growth in the number and importance of these corporate instrumentalities of the Government there has been increasing recognition by both the legislative and executive branches that some means, adapted to the special needs of the situation, must be found to coordinate the financial programs of the corporations with that of the Government as a whole.

An early step toward this end was the issuance of Executive Order No. 6549 on January 3, 1934, directing that accounts of all receipts

and expenditures by governmental agencies, including corporations, created after March 3, 1933, the accounting procedure for which was not otherwise prescribed by law, be rendered to the General Accounting Office for settlement and adjustment under the Budget and Accounting Act. However, many of the corporations were exempted from that order shortly thereafter. From time to time, commencing in 1935, Executive orders have been issued requesting certain Government corporations to submit annual estimates of their administrative expenses to the Director of the Bureau of the Budget for his approval. Section 7 of the First Deficiency Appropriation Act, 1936 (49 Stat. 1647), provided that certain agencies named therein including corporations, should not incur any obligations for administrative expenses after June 30, 1937, except pursuant to a specific annual appropriation.

In a few cases such as the Tennessee Valley Authority, Federal Crop Insurance Corporation, and Commodity Credit Corporation, statutory provision was made for a special type of audit more suited to the corporate form of activity. The most recent step toward financial control, which brought all Government corporations under a commercial-type audit by the General Accounting Office for the purpose of a report to the Congress, was taken in the enactment of the audit principles of the present bill as section 5 of Public Law 4 (S. 375), approved February 24, 1945. Also, under regulations of the Bureau of the Budget and the Treasury Department, reports of the financial condition of Government corporations are furnished to those agencies periodically, and in many cases the corporations consult with and report to the Treasury Department on a voluntary basis with respect to their financing and security transactions.

Due to this piecemeal approach to the problem, the degree and character of control exercised over Government corporations by the Congress, the President, and the established fiscal agencies of the Government have varied greatly and without any real basis.

The problem of financial control of Government corporations has recently been the subject of much study. A major contribution was the publication in 1940 of Senate Document No. 172, Seventy-sixth Congress, third session, which included financial statements and other valuable information concerning those Government corporations then in existence, compiled by the Treasury Department pursuant to Senate Resolution 150, agreed to June 27, 1939. Later, the Joint Committee on Reduction of Nonessential Federal Expenditures conducted a study lasting nearly 2 years, in connection with which information was furnished by the Bureau of the Budget, the General Accounting Office, and the Treasury Department. On August 1, 1944, the committee issued its report on Government corporations, printed as Senate Document No. 227, Seventy-eighth Congress, second session.

Following publication of that report, and after further collaboration with the three agencies mentioned, there were introduced in the present Congress S. 469, H. R. 2051, and H. R. 2177, to carry out recommendations of the report as to the establishment of financial control over Government corporations by the Congress and the President, through the General Accounting Office, the Bureau of the Budget, and the Treasury Department. The Comptroller General of the United States and the Director of the Bureau of the Budget both appeared in person during the hearings on this legislation and endorsed its objectives in

convincing terms. Representatives of the Treasury Department likewise testified on May 29, 1945, in support of those objectives.

PURPOSE AND SCOPE OF THE BILL

The purpose of the bill is to provide annual scrutiny and current financial control by the Congress of the financial transactions and operations of the Government corporations through the regular fiscal agencies of the Government. The bill provides the means for effective control by the Congress over the Government corporations through a systematic procedure for consideration and action on their contemplated programs in the form of business-type budgets to be included in the annual Budget submitted by the President, and through a commercial-type audit and report to the Congress by the Comptroller General on their compliance with congressional directives and restrictions. It also requires approval by the Secretary of the Treasury of the depositaries, financing, and Government security transactions of all Government corporations, except certain Farm Credit institutions. It prohibits the creation of any Government corporation to act as an agency or instrumentality of the United States except by or pursuant to action of Congress and requires those now operating under State charters to institute dissolution or liquidation proceedings on or before June 30, 1948, subject to reincorporation by act of Congress.

The Budget provisions apply only to the wholly owned Government corporations but the audit and Treasury provisions apply also to the mixed-ownership Government corporations in which part of the capital stock is owned by the United States and part by borrowers or other private holders. The corporations subject to the bill are listed below. Information on the organic authority; ownership, organization, and management; purpose and scope of activities; and finances of each of the corporations covered by the bill is contained in Senate Document No. 86, Seventy-ninth Congress, first session, Reference Manual of Government Corporations, General Accounting Office, as of June 30, 1945.

WHOLLY OWNED GOVERNMENT CORPORATIONS ¹

1. Commodity Credit Corporation.
2. Federal intermediate credit banks (12 banks).
3. Production credit corporations (12 corporations).
4. Regional agricultural credit corporations (1 still in operation).
5. Farmers Home Corporation.
6. Federal Crop Insurance Corporation.
7. Federal Farm Mortgage Corporation.
8. Federal Surplus Commodities Corporation.
9. Reconstruction Finance Corporation.
10. Defense Plant Corporation.
11. Defense Supplies Corporation.
12. Metals Reserve Company.
13. Rubber Reserve Company.
14. War Damage Corporation.
15. Federal National Mortgage Association.

¹ Several of the corporations listed are in various stages of liquidation and dissolution.

16. The RFC Mortgage Company.
17. Disaster Loan Corporation.
18. Inland Waterways Corporation.
19. Warrior River Terminal Company.
20. The Virgin Islands Company.
21. Federal Prison Industries, Incorporated.
22. United States Spruce Production Corporation.
23. Institute of Inter-American Affairs.
24. Institute of Inter-American Transportation.
25. Inter-American Educational Foundation, Incorporated.
26. Inter-American Navigation Corporation.
27. Prencinradio, Incorporated.
28. Cargoes, Incorporated.
29. Export-Import Bank of Washington.
30. Petroleum Reserves Corporation.
31. Rubber Development Corporation.
32. U. S. Commercial Company.
33. Smaller War Plants Corporation.
34. Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof.
35. Defense Homes Corporation.
36. Federal Savings and Loan Insurance Corporation.
37. Home Owners' Loan Corporation.
38. United States Housing Corporation.
39. Panama Railroad Company.
40. Tennessee Valley Authority.
41. Tennessee Valley Associated Cooperatives, Incorporated.

MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

1. Banks for cooperatives (1 central bank and 12 regional banks).
2. Federal land banks (12 banks).
3. Federal home loan banks (12 banks).
4. Federal Deposit Insurance Corporation.

BUDGET PROVISIONS

The bill establishes congressional control over the budgets of wholly owned Government corporations in a manner especially adapted to their type of organization and operation. Each corporation is required to submit its budget program to the President through the Bureau of the Budget at the same time as the regular departments and establishments of the Government. The President is directed to transmit to Congress, as a part of the annual Budget required by the Budget and Accounting Act of 1921, the budget programs of the corporations as modified, amended, or revised to conform to his recommended program for the Federal Government as a whole. The Congress will consider these budget programs and enact legislation making available such funds or other financial resources, with such directives and limitations, as it may deem necessary. In this manner Congress will for the first time have a systematic procedure for annually scrutinizing and passing upon the budgets of the Government corporations as it now does for the regular agencies of the Government. Only in

this way can the operations of Government corporations be brought into balance and proportion with all other Federal activities and in harmony with the financial and economic policies of the Congress.

This budget control of the Government corporations requires a special type of budget program, referred to in the bill as a business-type budget or plan of operations. The administrative-type budget required by the Budget and Accounting Act is not suitable for the type of commercial operations conducted under the corporate form of organization. The bill authorizes and directs the Bureau of the Budget, under such rules and regulations as the President may establish, to prescribe the form and content of, and the manner in which such budget programs shall be prepared and presented. This latitude is necessary to permit the Bureau of the Budget to formulate a budget program adapted to the individual requirements of each of the corporations. The Director of the Bureau of the Budget stated in his testimony on the bill that the development of an adequate budget program would be an evolutionary process.

Certain essential features of the budget program are expressly covered by the bill. It will include comparative financial statements showing the actual condition and results of operations of the corporation for the last completed fiscal year and estimates for the current and ensuing years. These statements will be the usual corporate financial statements, namely, a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds, and such additional supplementary statements and information as may be necessary or desirable to make known the financial condition and operations of the corporation. The bill specifically provides that these statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

An intelligent review of the programs of the Government corporations requires comprehensive information on their past operations and future plans. Obtaining the necessary information on past operations should present no serious problems, but accurate forecasts will be extremely difficult or impossible for many programs. Both the corporations and the Director of the Bureau of the Budget pointed out at the hearings that many of the operations of the corporations are subject to the ebb and flow of economic conditions and to a multitude of factors beyond their control or their ability to foresee. The committee recognizes the uncertainties and difficulties of forecasting, but it considers these programs too important to be ignored in formulating the Federal budget program. Even though the best estimates obtainable are subject to change, they will be extremely useful to the Congress in expressing its will with respect to the contemplated programs of the corporations.

An important provision of the bill is the requirement that the budget programs shall include due allowance for the need for flexibility, including provision for emergencies and contingencies, so that the Corporation may properly carry out its activities as authorized by law. The corporate form of organization is a useful device for carrying out a variety of Government services and programs, of a

continuing as well as an emergency character. It is generally agreed that the corporate form loses much of its peculiar value without reasonable autonomy and flexibility in its day-to-day decisions and operations. The budget and financial controls imposed upon the Government corporations should not deprive them of this freedom and flexibility in carrying out authorized programs to a greater extent than is necessary to conform their operations to the program of the Government and the will of Congress.

Discretion is necessary in the choice of activities on which fiscal-year limitations are appropriate and in the type of limitations imposed. There may be mandatory programs on which no specific dollar limitations should be imposed. There will be other programs, subject to unpredictable factors, where it may be desirable to establish limitations that would prevent an extreme expansion of the present volume of operations without further consideration by Congress but that would be high enough to permit the corporations to adapt the programs to reasonable changes in conditions. Where programs are susceptible of more accurate forecasting or the Congress desires to curtail or restrict them to a particular level, the annual budget review will provide the needed opportunity to establish the desired limitations. The budget procedure established by the bill provides the information and the facilities for the exercise of congressional control over the budget program of each of the wholly owned Government corporations in the manner and to the extent considered appropriate and desirable.

It is inadmissible that these agencies which are dependent upon the Congress for their existence should not report to the Congress periodically and justify their operations and their plans. In this regard the committee invites attention to the statement on behalf of the Reconstruction Finance Corporation, printed on page 211 of the hearings on S. 469, agreeing with the principle that Congress should have an opportunity from year to year to scrutinize and pass upon the activities of Government corporations, and indicating the Corporation's willingness to undertake to the best of its ability to comply with the budget provisions of this legislation, if enacted. If this largest of all Government corporations, with all of its diverse programs, can operate within the framework of the bill, the committee feels that the other wholly owned corporations should be able to do likewise.

The bill does not repeal the existing laws governing the debt limit or the powers and duties of any of the Government corporations. Neither does it lessen the budgetary requirements of the existing laws which call for an annual authorization by the Congress of the amount of administrative expenses which several of the corporations may incur.

The budget provisions of the bill do not apply to the mixed-ownership corporations in which private stockholders have an interest in the net worth and in the profits or losses of the corporations.

. AUDIT PROVISIONS

This bill is intended as basic legislation for financial control of Government corporations. Hence, it includes, without substantial change, the audit provisions of section 5 of Public Law 4, approved February 24, 1945, requiring an annual audit of financial transactions of all Government corporations by the General Accounting Office in

accordance with the principles and procedures applicable to commercial corporate transactions and under rules and regulations prescribed by the Comptroller General of the United States. Audits will be made on a fiscal-year basis of the financial transactions of wholly owned Government corporations and of those of mixed-ownership Government corporations for any period during which Government capital has been invested therein. The audit is to begin with the first fiscal year commencing after the enactment of the bill. Until that time the audit provisions of Public Law 4 will apply so that there will be no break in the continuity of the audit by the General Accounting Office.

The scope and extent of the audits by the General Accounting Office and the manner in which they are conducted will follow generally accepted practices and procedures employed in independent audits of commercial, industrial, and financial institutions, as applied by the Comptroller General. The audits will comprise such examination of the corporate affairs as necessary to supply the Congress with the information required by the bill with respect to the operations and financial condition of the corporations. Both the Congress and the Comptroller General have already recognized that the commercial-type audit is better adapted than the regular governmental type to the operations of a Government corporation. Differences between the two types are explained in some detail in Senate Report No. 631, Seventy-eighth Congress, second session, in the following terms:

In general, the purpose of the governmental type of audit is to determine the validity of expenditures under appropriations made by the Congress, in the light of restrictions and limitations placed by the Congress generally upon the expenditure of appropriated moneys. It is a part of a system designed to enforce the personal accountability of governmental officers authorizing or expending those funds upon the basis of documents and records usually submitted to the General Accounting Office and retained in its custody. In contrast, the commercial type of audit is separate and apart from the accounting system and internal financial control of the Corporation and is designed to determine the true financial condition of the Corporation as of a given date and the results of its financial operations during the period covered by the audit, as well as establishing whether the funds of the Corporation have been regularly expended in accordance with corporate authorization. These determinations are made by detailed examination of the operating and financial records of the Corporation at the places where they are being used in the conduct of corporate business.

* * * * *

The fundamental difference between the two types of audit, and the inadequacy of the governmental type of audit as applied to capital-fund operations of the Corporation, may be more clearly seen from a comparison of the procedures involved.

The governmental type of audit generally involves the following seven steps:

1. The fixing of the amount for which the disbursing officer is accountable under his bonded responsibility by reason of the advance of funds under particular appropriations upon accountable warrants and by reason of collections received by him.
2. The submission by the designated disbursing officer to the General Accounting Office for audit and settlement of an account supported by certified vouchers and by other original papers evidencing specific payments which he has made from the particular funds charged to him.
3. The examination by the General Accounting Office of these vouchers and other original supporting papers to determine whether the payments covered thereby were properly authorized and whether the expenditures represent valid obligations of the Government under the specific appropriation sought to be charged.
4. The settlement by the General Accounting Office of the disbursing officer's account and the determination of his liability to the United States.

5. The determination of the liability to the United States of the officer certifying for payment the items included in the disbursing officer's account.

6. The preparation and issuance of certificates of settlement incorporating all unexplained or unadjusted differences developed in the examinations of the accounts, and

7. The institution of collection proceedings if the accountable officer fails to pay over any balances found due from him in the settlement.

The commercial type of audit ordinarily made of large business corporations usually involves the following seven steps:

1. The establishment of the authorities of the various officers and employees by reference to the original articles of incorporation, bylaws, minutes of the board of directors, and other official authorizations taken in the name of the Corporation;

2. The verification, through appropriate checks, of the original, general, and subsidiary ledgers by comparison of original collection and disbursement documents with such ledgers and, in connection with this, the determination that all actions reviewed are properly authorized;

3. The verification from the original accounting records and supporting documents of the accuracy of all items appearing on the balance sheet, including verification of all cash on hand and in banks, and when needed, positive establishment of the existence of assets by physical inventory methods or through inquiries addressed to debtors and the determination of actual liabilities through inquiries addressed to creditors;

4. The review and establishment of the accuracy of any operating statements to determine that they clearly indicate the financial progress of the Corporation during the period covered by the audit, including proper reflection of any profits made or losses suffered;

5. Determination, in light of the actions by the Board of Directors and any changes in the policies of the Corporation, that proper records are established and necessary safeguards developed correctly to reflect the financial operations of the Corporation and to protect the Corporation from financial loss which can be prevented by proper and adequate records and procedures;

6. The preparation of a report covering the audit, including certified financial statements and comments deemed appropriate by the auditor, such as recommendations for changes in the accounting procedure and records, errors still uncorrected at the completion of the audit, analysis of facts brought out in the financial statements, and the submission of such a report to the officials ordering the audit; and

7. The institution of corrective action by the corporate management.

Aside from the more fundamental differences in approach and purposes apparent between these two systems, it should also be noted that the nature of the capital fund operations of the Corporation is such that it is impractical, if not impossible, to assemble in one place the original vouchers and other original papers supporting the capital fund operations of the Corporation and still permit the Corporation to carry out the business responsibilities imposed upon it by the Congress. * * *

Reports of the audits are to be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which made. Such reports must set forth the scope of the audit and include audited financial statements, as well as such comments and information as deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with pertinent recommendations of the Comptroller General. The reports must also include a specific showing as to any program, expenditure, or other financial transaction or undertaking observed in the course of the audit which, in the opinion of the Comptroller General, has been carried on or made without authority of law. Copies of such reports are to be furnished to the President, the Secretary of the Treasury, and the corporations concerned when submitted to the Congress.

The bill does not affect the power which some Government corporations now have to maintain books of account determine and prescribe procedures to be followed in the transaction of the corporate business, including the manner in which their obligations shall be

incurred and their expenses allowed and paid; settle and adjust claims and demands by or against them and accounts in which they are concerned, either as debtor or creditor, and retain custody of their contracts or other financial or accounting documents. Likewise, the bill does not affect the authority of the Comptroller General under other provisions of existing law to settle and adjust the accounts of accountable officers of several of the corporations, although it provides a means for coordinating such settlement and adjustment activities of the Comptroller General with the commercial-type audit. While there is a lack of consistency in the present status of the various corporations in this respect, the advisability of making further changes in the interest of uniformity of treatment of all corporations can best be determined in the light of experience under the provisions of the bill.

The audit provisions are intended to give the Congress the independent audit reports of its agent, the Comptroller General, as to the operations and financial condition of every Government corporation in which the Government has a capital interest. Some of those corporations have sought exemption from the Comptroller General's audit on the ground that they are already examined pursuant to law by an administrative agency of the Government. Under existing law, banks for cooperatives, Federal intermediate credit banks, Federal land banks, and production-credit corporations are required to be examined at least once each year by examiners of the Farm Credit Administration (12 U. S. C. 952, 1091, 1138a). Also, under existing law Federal home-loan banks are examined semiannually by the Federal Home Loan Bank Administration, National Housing Agency (12 U. S. C. 1440). Although such examinations are independent of the respective banks and corporations, they are integral parts of systems of administrative supervision and regulation. On the other hand, the audits of the Comptroller General under Public Law 4 and under this bill are independent not only of the banks and corporations but also of the supervising administrative agency. If the audit by the Comptroller General is to be a truly independent audit, he must not be restricted in such a way as to prevent him from examining into and reporting the transactions of any Government corporation to the extent deemed by him to be necessary.

The Comptroller General has stated that in making his audits he will give full consideration to the effectiveness of the existing systems of internal accounts, procedures, and controls and of external examinations by an administrative supervisory agency. The bill includes a specific provision requiring the Comptroller General in making his audits to utilize, to the fullest extent deemed by him to be practicable, reports of examinations of Government corporations by a supervising administrative agency pursuant to law. To go so far as to substitute the reports of examiners of the supervising administrative agency for the audit reports of the Comptroller General, as the agent of the Congress independent of the executive branch, would constitute an abandonment of the objectives attained in enacting the audit provisions of Public Law 4.

Other provisions of the bill would reenact and apply specifically to the audit to be conducted thereunder, the following provisions of the First Deficiency Appropriation Act, 1945, concerning the audit of all Government corporations as provided by Public Law 4:

For the purpose of conducting the audit of all Government corporations as provided by section 5 of the Act approved February 24, 1945 (Public, Numbered 4, Seventy-ninth Congress), the Comptroller General is authorized in his discretion to employ not more than ten persons without regard to the Classification Act of 1923, as amended, only one of whom may be compensated at a rate of as much as but not more than \$10,000 per annum, and to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of firms and organizations for temporary periods or for special purposes: *Provided*, That the expenses of auditing the financial transactions of all Government corporations by the General Accounting Office shall be borne out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized: *Provided further*, That each such corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts: *Provided further*, That, unless otherwise expressly provided by law, no funds of any Government corporation shall be used to pay the cost of any private audit of the financial records of the offices of such corporation except the cost of such audits contracted for and undertaken prior to the date of approval of this Act.

The Comptroller General's audit reports should be of great value to the Congress in appraising the results of the corporations' programs and passing on their requests for further funds, to the President in his over-all management of the executive branch, and to the Treasury Department in its fiscal activities. The reports should also assist the corporations themselves in carrying out their responsibilities.

TREASURY PROVISIONS

Several provisions of the bill require approval by the Treasury Department of certain fiscal activities of Government corporations.

The first provision requires the corporations, with certain exemptions hereafter enumerated, to keep their banking or checking accounts with the Treasurer of the United States, or, if so approved by the Secretary of the Treasury, with a Federal Reserve bank or with a bank designated as a depository or fiscal agent of the United States. The Secretary of the Treasury is given the authority, however, to waive these requirements under such conditions as he may determine to be appropriate. Moreover, the requirements do not apply to the establishment and maintenance in any bank, for a temporary period, of banking or checking accounts not in excess of \$50,000 in any one bank. Because of their close relationship to local farmer-borrower associations, the bill specifically exempts from the foregoing requirements the Federal intermediate credit banks, production-credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, and the Federal land banks. Each of these exempted corporations is required, however, to report annually to the Secretary of the Treasury the names of the depositories in which the corporation keeps a banking or checking account in order that the Secretary of the Treasury may be in a position to make such reports thereon as he may deem advisable to the corporation, to the President, and to the Congress.

The attitude of the Treasury Department has been that it is desirable to have Government funds carried with the Treasurer of the United States and it has been the policy of that Department to offer depository facilities which are used by certain Government corporations in lieu of carrying their funds in commercial banks. The committee believes that the depository provisions of the bill are both practical and desirable as a matter of fiscal policy.

Other provisions of the bill which involve the Treasury Department relate to the issuance of bonds, notes, debentures, and other similar obligations of the corporations which are offered to the public. The bill provides that such securities shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, shall be issued in such manner and at such times and sold at such prices as have been or as may be approved by the Secretary of the Treasury. In addition, no corporation would be permitted to sell or purchase any direct obligation of the United States or obligation guaranteed by the United States as to principal or interest, or both, for its own account and in its own right and interest, at any one time aggregating in excess of \$100,000, without the approval of the Secretary of the Treasury. The Secretary would have the authority, however, to waive the requirement of his approval with respect to any transaction or classes of transactions relating to the purchase or sale of direct or guaranteed obligations of the United States, for such period of time and under such conditions as he might determine to be appropriate. The Federal intermediate credit banks, production-credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, and the Federal land banks are also exempted specifically from these requirements of the bill, except that they must consult with the Secretary of the Treasury prior to taking any such action. If an agreement is not reached, the Secretary of the Treasury may report the grounds for his disagreement to the Corporation, to the President, and to the Congress.

Although there are existing requirements of law for Treasury approval of guaranteed obligations and Government corporations have cooperated with the Treasury Department so as to coordinate their financing with the Treasury Department's financing program, these arrangements are of such importance that the committee believes they should have the sanction of law in all cases.

For flexibility in the administration of the provisions of the bill requiring Treasury approval of security transactions of the corporations, the Secretary of the Treasury is authorized to exercise any of such functions vested in him through any officer or employee of any Federal agency whom he may designate, with the concurrence of the head of the agency concerned, for such purpose.

Those corporations from which Government capital has been entirely withdrawn will not be subject to any of the depositary and financing provisions of the bill during the period such corporations remain without Government capital.

OTHER PROVISIONS

Employment of the corporate device by the Federal Government has been justified by the need for a high degree of autonomy and flexibility in the carrying on of programs involving activities of a business nature. The bill advances a remedy for cases where the programs of Government corporations are not characterized by such a need, and could be equally well carried on by the regular agencies of the Government. It provides that whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest that any wholly owned Government corporation be treated with respect to fiscal

matters as if it were a regular Government agency, the Director shall include a recommendation to that effect in the corporation's budget program. Upon approval by the Congress of any such recommendation, the corporation would thereafter be regarded as an establishment other than a corporation for the purposes of the Budget and Accounting Act of 1921.

Corporations have frequently been provided with a reservoir of capital to be used for certain purposes without any direction as to the return of such capital to the Treasury when no longer needed for such purposes. The bill provides that the annual budget programs shall include estimates of the amount of Government capital funds to be returned to the Treasury by wholly owned Government corporations, and that the President shall include in the annual Budget any recommendations that he may wish to make as to return of Government capital by mixed-ownership corporations. In addition, it requires the Comptroller General's audit reports to include recommendations as to the return of such Government capital or the payment of such dividends as in his judgment should be accomplished by wholly owned or mixed-ownership Government corporations. Upon the basis of such reports and recommendations the Congress will be able to take proper action to insure the return to the Treasury of funds no longer needed for carrying on authorized corporate activities.

It was brought out at the hearings on this legislation that 18 of the corporations listed therein were chartered under non-Federal charters, that is, under the laws of a State, the District of Columbia, or a Territory or possession. The corporations involved, and the chartering jurisdiction, are as follows:

1. Cargoes, Inc., New York.
2. Commodity Credit Corporation, Delaware.
3. Defense Homes Corporation, Maryland.
4. Export-Import Bank of Washington, District of Columbia.
5. Federal Surplus Commodities Corporation, Delaware.
6. Institute of Inter-American Affairs, Delaware.
7. Institute of Inter-American Transportation, Delaware.
8. Inter-American Educational Foundation, Inc., Delaware.
9. Inter-American Navigation Corporation, Delaware.
10. Panama Railroad Company, New York.
11. Prencinradio, Inc., Delaware.
12. RFC Mortgage Company, Maryland.
13. Rubber Development Corporation, Delaware.
14. Tennessee Valley Associated Cooperatives, Inc., Tennessee.
15. United States Housing Corporation, New York.
16. United States Spruce Production Corporation, Washington.
17. Virgin Islands Company, Municipality of St. Thomas and St. John, V. I.
18. Warrior River Terminal Company, Alabama.

It does not seem desirable to continue any longer this anomalous situation in which an instrumentality of the Federal Government is technically a creature of a State or local government. Moreover, some of these corporations were chartered without specific authority of Congress. The bill provides that no wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof, or under the laws of the District of Columbia, shall continue as an agency or instrumentality of the United States after June 30, 1948, but authorizes the reincorporation of any such corporation by act of Congress for such purposes and term of existence and with such

powers, privileges, and duties as provided by such act. It further provides that no corporation shall be created, organized, or acquired hereafter by any officer or agency of the Federal Government or by any Government corporation for the purpose of acting as an agency or instrumentality of the United States, except by act of Congress or pursuant to an act of Congress specifically authorizing such action. The committee contemplates that any new corporation so created or authorized hereafter will be made subject to the appropriate provisions of this bill by the creating or authorizing legislation.

EXPLANATION BY SECTIONS

Section 1 provides that the act may be cited as the "Government Corporation Control Act."

Section 2 declares it to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT CORPORATIONS

Section 101 enumerates the wholly owned Government corporations covered by this title. This includes 41 separate corporations or groups of corporations, which is increased to 63 if each corporation included in a group, i. e., Federal intermediate credit banks and production credit corporations, is counted individually.

Section 102 provides for the submission of an annual budget program by each wholly owned Government corporation to the President through the Bureau of the Budget on or before September 15. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which such budget program shall be prepared and presented. Such budget program is to be a business-type budget or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The section enumerates certain types of financial information which are to be included as a part of the budget program. The section requires the submission of the usual corporate financial statements on a comparative basis for the last completed fiscal year, with estimates for the current fiscal year and the ensuing fiscal year. Such statements are to include estimates of operations by major types of activities together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds to be returned to the Treasury during the fiscal year, or the appropriations required to provide for the restoration of capital impairments.

Section 103 authorizes the President to modify, amend, or revise the corporations' budget programs submitted to him, and directs him to transmit the revised budget programs to the Congress as a part of the annual Budget required by the Budget and Accounting Act, 1921. It also authorizes amendments to the annual budget programs to be submitted from time to time. This section fixes the fiscal year commencing July 1, 1946, as the first for which budget programs are to be submitted.

Section 104 provides for the consideration by the Congress of the budget programs and the enactment of legislation, if necessary, making available such funds or other financial resources as the Congress may determine. Under this procedure, it is contemplated that the budget programs as transmitted by the President to the Congress would include, as in the case of estimates of appropriations, language suitable for enactment as the authorizing legislation. Such programs would be referred to the House Committee on Appropriations and, after hearings, be reported to the House, in the form of (1) simple authorizing legislation, showing that the Congress had considered and approved the budget program but not setting a limitation on the corporate financial activities other than that provided by substantive law, or (2) legislation incorporating such specific limitations as necessary to enforce the will of Congress in the carrying out of the corporate financial activities or to conform such activities to the general financial program of the Government.

To the extent that corporations, including the Tennessee Valley Authority, receive funds in the form of annual appropriations, specific appropriating language would be necessary. Likewise, specific authorization would be necessary for administrative expenses where such authorization is otherwise required by law or where the Congress desired to set a limitation in this respect. However, in cases where no other law required a congressional authorization of expenditures, the corporation, if it had means of financing other than annual appropriations, could continue to operate in the absence of any action by Congress on its budget program. To insure that such legislation would not be used as a means of destroying any Government corporation or preventing it from carrying out and financing its authorized activities, this section includes a specific provision that it shall not be construed as preventing wholly owned Government corporations from carrying out and financing their activities as authorized by existing law.

The section also provides specifically that no provision thereof shall be construed as affecting in any way the provisions of section 26 of the Tennessee Valley Authority Act, as amended. This language preserves intact the right of the Tennessee Valley Authority to utilize its receipts in carrying out certain operations and business activities as authorized under present law. The budget program of the Authority would be prepared and submitted on that basis and the Congress in passing on such program would take no action based on this bill which would interfere with such right or set a limitation on the use of such receipts for those purposes authorized under said section 26. The committee feels that the present arrangement established by law as to the use of the Authority's receipts is working satisfactorily and that if any occasion should arise hereafter for changing such arrangement, this should be done by an amendment to the substantive law.

As to the lending corporations, such as the Federal intermediate credit banks and production-credit corporations, the provisions of this section would not change the fundamental authority of the corporations under existing law, in respect to their financing, their administrative management and control, or their lending operations. It would require an annual review of all their operations by the President and the Congress, with the right, if necessary in the public interest, to set limitations on expenditures.

✓ Section 104 includes a further provision to make it clear that the existing authority of wholly owned Government corporations to make contracts or other commitments without regard to fiscal year limitations is not affected. This provision was included to meet the objection of certain corporations that the enactment of H. R. 2177 in its original form would place them completely on a fiscal-year basis and interfere with their flexibility of operation and with the making of long-range contracts under authority of law. There is no intent in this bill to deny to any Government corporation the right to enter into whatever contracts it is now authorized to enter into, and no thought that the Congress will deny funds for the execution of those authorized contracts in passing upon the annual budget program. /

Section 105 provides for an audit of the financial transactions of wholly owned Government corporations by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit is to be conducted at the place or places where the accounts of the corporations are normally kept. The representatives of the General Accounting Office are to have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporations and necessary to facilitate the audit, and are to be afforded full facilities for verifying transactions with balances or securities held by depositaries, fiscal agents, and custodians. The audit is to begin with the first fiscal year commencing after the enactment of the bill.

This section also includes a provision authorizing the Comptroller General's rules and regulations to provide for retention at the offices of the corporations of accounts of accountable officers covering transactions required by existing law to be settled and adjusted in the General Accounting Office and for settlement and adjustment of such accounts upon the basis of examinations in the course of the audit of the financial transactions. This provision will permit the Comptroller General to coordinate his audit of the financial transactions of the corporations under this bill with the audit which he is required to make in certain cases under other provisions of law for the purpose of settling the accounts of officers handling corporate funds, but will not eliminate such settlements. To guard against any possible construction of such provision as affecting the rights reserved to the Tennessee Valley Authority by the act of November 21, 1941 (55 Stat. 775), with respect to the making of contracts and expenditures, including expenditures determined by its Board of Directors to have been necessary to carry out the provisions of the Tennessee Valley Authority Act, the settlement of claims and litigation, and the prescribing of administrative accounts and business documents, the section includes a definite provision negating such construction.

Section 106 requires the Comptroller General to make a report of the audit for each fiscal year to the Congress not later than the following January 15. This section requires the report to set forth the scope of the audit and specifies financial statements to be included therein. It also calls for the Comptroller General to include in his report such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the corporation, together with such recommendations as the Comptroller General

may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as in his judgment should be accomplished. The report is also required to show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each such report is to be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

Section 107 permits the Director of the Bureau of the Budget, with the approval of the President, to make recommendations as to those activities carried on by a wholly owned corporation which could be handled in the same manner, insofar as concerns fiscal matters, as those of a regular agency or establishment of the Government. In the event that Congress concurred in such recommendations and legislation was enacted, such activities would thereafter be carried on in accordance with the requirements of the Budget and Accounting Act, 1921, and other provisions of law relating to fiscal matters. The existence of the corporate entity would not be affected by this section.

TITLE II—MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

Section 201 defines mixed-ownership corporations to include (1) the Central Bank for Cooperatives and the regional banks for cooperatives, (2) Federal land banks, (3) Federal home-loan banks, and (4) Federal Deposit Insurance Corporation.

Section 202 requires the financial transactions of mixed-ownership Government corporations for any period during which Government capital has been invested therein to be audited by the General Accounting Office in the same manner as applicable to wholly owned Government corporations under the provisions of section 105.

Section 203 requires the Comptroller General to make to the Congress a report of each such audit for each fiscal year, of the same type, at the same time, and in the same manner as the reports required to be made by him pursuant to section 106.

Section 204 directs the President to include in the annual Budget any recommendations he may have as to the return of Government capital to the Treasury by mixed-ownership corporations.

TITLE III—GENERAL PROVISIONS

Section 301 restates and applies to the audit to be conducted under sections 105 and 202 of this bill certain provisions of the First Deficiency Appropriation Act, 1945, approved April 25, 1945, authorizing appropriations to the General Accounting Office for the expense of audits; requiring reimbursement by the corporations to the General Accounting Office for the cost of such audits and deposit of the sums reimbursed into the Treasury as miscellaneous receipts; authorizing the employment of not more than 10 persons without regard to the Classification Act of 1923, as amended, and of professional services of firms and organizations for temporary periods or special purposes without regard to section 3709 of the Revised Statutes; and prohibiting the use of funds of any Government corporation to pay the

cost of any private audit of the financial records of the offices of such corporation, except the cost of such audits contracted for and undertaken prior to the date of said First Deficiency Appropriation Act, 1945.

This section also requires the Comptroller General in making the audits provided in sections 105 and 202 to utilize to the fullest extent deemed by him to be practicable reports of examinations of Government corporations made by a supervising administrative agency pursuant to law. It further provides that the audit in sections 105 and 202 shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the General Accounting Office for the purpose of a report to the Congress or to the President under any existing law.

Under this last provision such audit would supersede, as of the first fiscal year commencing after the enactment of this bill, the audit of all Government corporations now required to be made by the General Accounting Office under section 5 of Public Law 4, approved February 24, 1945. Such provision would also remove any doubt that the provisions of prior laws requiring an audit of the financial transactions of the Commodity Credit Corporation (sec. 7 of the act of January 31, 1935, as amended by Public Law 240, approved February 28, 1944), the Federal Crop Insurance Corporation (sec. 513 of the act of February 16, 1938, 52 Stat. 76, 7 U. S. C. 1513), and the Tennessee Valley Authority (sec. 9 (b) of the act of May 18, 1933, as amended, 16 U. S. C. 831h) for the purpose of a report to the Congress or the President, are superseded. Hence, in the case of the two last-named corporations, the requirement that the audit report shall not be made until the Corporation has had an opportunity to examine the exceptions and criticisms of the General Accounting Office will not apply.

However, other provisions of such prior laws reserving certain rights to the corporations named would not be repealed. Likewise, there would not be repealed provisions of section 1 of the act of March 8, 1938 (52 Stat. 107), as amended by Public Law 30, approved April 12, 1945, requiring an annual appraisal of the assets and liabilities of the Commodity Credit Corporation by the Secretary of the Treasury, or that part of section 9 (b) of the Tennessee Valley Authority Act as amended by the act of November 21, 1941 (55 Stat. 775), requiring the submission of accounts of accountable officers of the Tennessee Valley Authority to the General Accounting Office for audit and settlement under the Budget and Accounting Act, 1921.

Section 302 provides for the keeping of banking and checking accounts of all wholly owned or mixed-ownership Government corporations with the Treasurer of the United States, Federal Reserve banks, or depositaries designated by the Secretary of the Treasury subject to the proviso that the Secretary of the Treasury is authorized to waive the requirements of this section under such conditions as he may determine. The Federal intermediate credit banks, production-credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, and the Federal land banks are exempted from the provisions of this section, except that these corporations are required to report annually the names of their depositaries to the Secretary of the Treasury, and that the Secretary of the Treasury may make a report in writing to the Corporation, to the President, and to the Congress which he deems advisable upon receipt of any such annual report.

Section 303 provides that obligations of wholly owned or mixed-ownership Government corporations which are offered to the public shall be approved as to the form, denominations, maturities, interest rates, and other terms and conditions by the Secretary of the Treasury. This section prohibits the sale or purchase of any direct or guaranteed obligations of the United States by wholly owned or mixed-ownership Government corporations for their own account and in their own right and interest in excess of \$100,000 except by approval or waiver by the Secretary of the Treasury. The Federal intermediate credit banks, production-credit corporations, the Central Bank for Cooperatives, the regional banks for cooperatives, and the Federal land banks are exempted from the provisions of this section, except that these corporations are required to consult with the Secretary of the Treasury prior to taking any action covered by the provisions of this section. In the event of disagreement resulting from such consultations, the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress stating the grounds for his disagreement. This section also provides that any mixed-ownership Government corporation from which Government capital has been entirely withdrawn shall not be subject to the provisions of section 302 or of this section during the period such corporation remains without Government capital.

The Secretary of the Treasury is authorized to exercise any of the functions vested in him by this section through officers or employees of any Federal agency designated by him, with the concurrence of the head of the agency concerned.

Subsection (a) of section 304 prohibits any corporation from being created, organized, or acquired hereafter by the Federal Government for the purpose of acting as an agency or instrumentality of the United States, except by an act of Congress or pursuant to an act of Congress specifically authorizing such action.

Subsection (b) of section 304 requires all wholly owned Government corporations created by or under the laws of any State, Territory, or possession of the United States, or any political subdivision thereof, or under the laws of the District of Columbia, to cease operating as agencies or instrumentalities of the United States by June 30, 1948, and prohibits the investment in or employment by any such corporation after that date, except for purposes of liquidation, of Federal funds. This subsection directs the proper corporate authority of every such corporation to institute dissolution or liquidation proceedings on or before June 30, 1948, but makes provision for reincorporation of any such corporation prior thereto by act of Congress, setting out its purposes, term of existence, powers, privileges, and duties, including the power to take over the assets and assume the liabilities of its respective predecessor corporation.

79TH CONGRESS
1ST SESSION

Calendar No. 698

H. R. 3660

[Report No. 694]

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 14 (legislative day, SEPTEMBER 10), 1945

Read twice and referred to the Committee on Banking and Currency

NOVEMBER 2 (legislative day, OCTOBER 29), 1945

Reported by Mr. FULBRIGHT (for himself and Mr. BUTLER), without
amendment

AN ACT

To provide for financial control of Government corporations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Government Corporation
4 Control Act".

5 DECLARATION OF POLICY

6 SEC. 2. It is hereby declared to be the policy of the
7 Congress to bring Government corporations and their trans-
8 actions and operations under annual scrutiny by the Congress
9 and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT
CORPORATIONS

SEC. 101. As used in this Act the term “wholly owned Government corporation” means the Commodity Credit Corporation; Federal Intermediate Credit Banks; Production Credit Corporations; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; The RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; The Virgin Islands Company; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and

1 including public housing projects financed from appropri-
2 ated funds and operations thereof; Defense Homes Corpo-
3 ration; Federal Savings and Loan Insurance Corporation;
4 Home Owners' Loan Corporation; United States Housing
5 Corporation; Panama Railroad Company; Tennessee Valley
6 Authority; and Tennessee Valley Associated Cooperatives,
7 Incorporated.

8 SEC. 102. Each wholly owned Government corporation
9 shall cause to be prepared annually a budget program, which
10 shall be submitted to the President through the Bureau of
11 the Budget on or before September 15 of each year. The
12 Bureau of the Budget, under such rules and regulations as
13 the President may establish, is authorized and directed to
14 prescribe the form and content of, and the manner in which
15 such budget program shall be prepared and presented. The
16 budget program shall be a business-type budget, or plan of
17 operations, with due allowance given to the need for flexi-
18 bility, including provision for emergencies and contingencies,
19 in order that the corporation may properly carry out its
20 activities as authorized by law. The budget program shall
21 contain estimates of the financial condition and operations
22 of the corporation for the current and ensuing fiscal years
23 and the actual condition and results of operation for the last
24 completed fiscal year. Such budget program shall include a
25 statement of financial condition, a statement of income and

1 expense, an analysis of surplus or deficit, a statement of
2 sources and application of funds, and such other supple-
3 mentary statements and information as are necessary or de-
4 sirable to make known the financial condition and operations
5 of the corporation. Such statements shall include estimates
6 of operations by major types of activities, together with esti-
7 mates of administrative expenses, estimates of borrowings,
8 and estimates of the amount of Government capital funds
9 which shall be returned to the Treasury during the fiscal year
10 or the appropriations required to provide for the restoration
11 of capital impairments.

12 SEC. 103. The budget programs of the corporations as
13 modified, amended, or revised by the President shall be
14 transmitted to the Congress as a part of the annual Budget
15 required by the Budget and Accounting Act, 1921. Amend-
16 ments to the annual budget programs may be submitted from
17 time to time.

18 Budget programs shall be submitted for all wholly owned
19 Government corporations covering operations for the fiscal
20 year commencing July 1, 1946, and each fiscal year there-
21 after.

22 SEC. 104. The budget programs transmitted by the
23 President to the Congress shall be considered and, if nec-
24 essary, legislation shall be enacted making available such
25 funds or other financial resources as the Congress may de-

1 termine. The provisions of this section shall not be con-
2 strued as preventing wholly owned Government corpora-
3 tions from carrying out and financing their activities as
4 authorized by existing law, nor shall any provisions of this
5 section be construed as affecting in any way the provisions
6 of section 26 of the Tennessee Valley Authority Act, as
7 amended. The provisions of this section shall not be con-
8 strued as affecting the existing authority of any wholly
9 owned Government corporation to make contracts or other
10 commitments without reference to fiscal-year limitations.

11 SEC. 105. The financial transactions of wholly owned
12 Government corporations shall be audited by the General
13 Accounting Office in accordance with the principles and
14 procedures applicable to commercial corporate transactions
15 and under such rules and regulations as may be prescribed
16 by the Comptroller General of the United States: *Provided*,
17 That such rules and regulations may provide for the reten-
18 tion at the offices of such corporations, in whole or in part,
19 of any accounts of accountable officers, covering corporate
20 financial transactions, which are required by existing law
21 to be settled and adjusted in the General Accounting Office,
22 and for the settlement and adjustment of such accounts in
23 whole or in part upon the basis of examinations in the
24 course of the audit herein provided, but nothing in this
25 proviso shall be construed as affecting the powers reserved

1 to the Tennessee Valley Authority in the Act of Novem-
2 ber 21, 1941 (55 Stat. 775). The audit shall be con-
3 ducted at the place or places where the accounts of the
4 respective corporations are normally kept. The representa-
5 tives of the General Accounting Office shall have access to
6 all books, accounts, financial records, reports, files, and all
7 other papers, things, or property belonging to or in use by
8 the respective corporations and necessary to facilitate the
9 audit, and they shall be afforded full facilities for verifying
10 transactions with the balances or securities held by deposi-
11 taries, fiscal agents, and custodians. The audit shall begin
12 with the first fiscal year commencing after the enactment of
13 this Act.

14 SEC. 106. A report of each such audit for each fiscal
15 year ending on June 30 shall be made by the Comptroller
16 General to the Congress not later than January 15 following
17 the close of the fiscal year for which such audit is made.
18 The report shall set forth the scope of the audit and shall
19 include a statement (showing intercorporate relations) of
20 assets and liabilities, capital and surplus or deficit; a state-
21 ment of surplus or deficit analysis; a statement of income
22 and expense; a statement of sources and application of
23 funds; and such comments and information as may be
24 deemed necessary to keep Congress informed of the opera-
25 tions and financial condition of the several corporations,

1 together with such recommendations with respect thereto as
2 the Comptroller General may deem advisable, including a
3 report of any impairment of capital noted in the audit and
4 recommendations for the return of such Government capital
5 or the payment of such dividends as, in his judgment, should
6 be accomplished. The report shall also show specifically
7 any program, expenditure, or other financial transaction or
8 undertaking observed in the course of the audit, which, in
9 the opinion of the Comptroller General, has been carried
10 on or made without authority of law. A copy of each re-
11 port shall be furnished to the President, to the Secretary of
12 the Treasury, and to the corporation concerned at the time
13 submitted to the Congress.

14 SEC. 107. Whenever it is deemed by the Director of
15 the Bureau of the Budget, with the approval of the Presi-
16 dent, to be practicable and in the public interest that any
17 wholly owned Government corporation be treated with re-
18 spect to its appropriations, expenditures, receipts, accounting,
19 and other fiscal matters as if it were a Government agency
20 other than a corporation, the Director shall include in con-
21 nection with the budget program of such corporation in
22 the Budget a recommendation to that effect. If the Congress
23 approves such recommendation in connection with the bud-
24 get program for any fiscal year, such corporation, with respect
25 to subsequent fiscal years, shall be regarded as an establish-

1 ment other than a corporation for the purposes of the Budget
2 and Accounting Act, 1921, and other provisions of law
3 relating to appropriations, expenditures, receipts, accounts,
4 and other fiscal matters, and shall not be subject to the pro-
5 visions of this Act other than this section. The corporate
6 entity shall not be affected by this section.

7 TITLE II—MIXED-OWNERSHIP GOVERNMENT
8 CORPORATIONS

9 SEC. 201. As used in this Act the term “mixed-owner-
10 ship Government corporations” means (1) the Central
11 Bank for Cooperatives and the Regional Banks for Coopera-
12 tives, (2) Federal Land Banks, (3) Federal Home Loan
13 Banks, and (4) Federal Deposit Insurance Corporation.

14 SEC. 202. The financial transactions of mixed-owner-
15 ship Government corporations for any period during
16 which Government capital has been invested therein shall
17 be audited by the General Accounting Office in accordance
18 with the principles and procedures applicable to commercial
19 corporate transactions and under such rules and regulations
20 as may be prescribed by the Comptroller General of the
21 United States. The audit shall be conducted at the place
22 or places where the accounts of the respective corporations
23 are normally kept. The representatives of the General
24 Accounting Office shall have access to all books, accounts,
25 financial records, reports, files, and all other papers, things,

1 or property belonging to or in use by the respective cor-
2 porations and necessary to facilitate the audit, and they
3 shall be afforded full facilities for verifying transactions with
4 the balances or securities held by depositaries, fiscal agents,
5 and custodians. The audit shall begin with the first fiscal
6 year commencing after the enactment of this Act.

7 SEC. 203. A report of each such audit for each fiscal
8 year ending on June 30 shall be made by the Comptroller
9 General to the Congress not later than January 15, following
10 the close of the fiscal year for which such audit is made.
11 The report shall set forth the scope of the audit and shall
12 include a statement (showing intercorporate relations) of
13 assets and liabilities, capital and surplus or deficit; a state-
14 ment of surplus or deficit analysis; a statement of income
15 and expense; a statement of sources and application of
16 funds; and such comments and information as may be
17 deemed necessary to keep Congress informed of the oper-
18 ations and financial condition of, and the use of Government
19 capital by, each such corporation, together with such recom-
20 mendations with respect thereto as the Comptroller General
21 may deem advisable, including a report of any impairment
22 of capital or lack of sufficient capital noted in the audit and
23 recommendations for the return of such Government capital
24 or the payment of such dividends as, in his judgment, should
25 be accomplished. The report shall also show specifically

1 any program, expenditure, or other financial transaction
2 or undertaking observed in the course of the audit, which,
3 in the opinion of the Comptroller General, has been carried
4 on or made without authority of law. A copy of each report
5 shall be furnished to the President, to the Secretary of the
6 Treasury, and to the corporation concerned at the time
7 submitted to the Congress.

8 SEC. 204. The President shall include in the annual Budget
9 any recommendations he may wish to make as to the return
10 of Government capital to the Treasury by any mixed-owner-
11 ship corporation.

12 TITLE III—GENERAL PROVISIONS

13 SEC. 301. (a) The expenses of auditing the financial
14 transactions of wholly owned and mixed-ownership Gov-
15 ernment corporations as provided in sections 105 and 202 of
16 this Act shall be borne out of appropriations to the General
17 Accounting Office, and appropriations in such sums as may
18 be necessary are hereby authorized: *Provided*, That each
19 such corporation shall reimburse the General Accounting
20 Office for the full cost of any such audit as billed therefor
21 by the Comptroller General, and the General Accounting
22 Office shall deposit the sums so reimbursed into the Treasury
23 as miscellaneous receipts: *Provided further*, That in making
24 the audits provided in said sections the Comptroller General
25 shall, to the fullest extent deemed by him to be practicable,

1 utilize reports of examinations of Government corporations
2 made by a supervising administrative agency pursuant to
3 law.

4 (b) For the purpose of conducting such audit the
5 Comptroller General is authorized in his discretion to employ
6 not more than ten persons without regard to the Classifica-
7 tion Act of 1923, as amended, only one of whom may be
8 compensated at a rate of as much as but not more than
9 \$10,000 per annum, and to employ by contract, without
10 regard to section 3709 of the Revised Statutes, professional
11 services of firms and organizations for temporary periods
12 or for special purposes.

13 (c) The audit provided in sections 105 and 202 of this
14 Act shall be in lieu of any audit of the financial transactions
15 of any Government corporation required to be made by the
16 General Accounting Office for the purpose of a report to the
17 Congress or to the President under any existing law.

18 (d) Unless otherwise expressly provided by law, no
19 funds of any Government corporation shall be used to pay
20 the cost of any private audit of the financial records of the
21 offices of such corporation, except the cost of such audits
22 contracted for and undertaken prior to April 25, 1945.

23 SEC. 302. The banking or checking accounts of all
24 wholly owned and mixed-ownership Government corpora-
25 tions shall be kept with the Treasurer of the United States,

1 or, with the approval of the Secretary of the Treasury, with
2 a Federal Reserve bank, or with a bank designated as a
3 depository or fiscal agent of the United States: *Provided*,
4 That the Secretary of the Treasury may waive the require-
5 ments of this section under such conditions as he may deter-
6 mine: *And provided further*, That this section will not apply
7 to the establishment and maintenance in any bank for a
8 temporary period of banking and checking accounts not in
9 excess of \$50,000 in any one bank. The provisions of this
10 section shall not be applicable to Federal Intermediate Credit
11 Banks, Production Credit Corporations, the Central Bank
12 for Cooperatives, the Regional Banks for Cooperatives, or
13 the Federal Land Banks, except that each such corporation
14 shall be required to report annually to the Secretary of the
15 Treasury the names of the depositories in which such cor-
16 poration keeps a banking or checking account, and the Sec-
17 retary of the Treasury may make a report in writing to the
18 corporation, to the President, and to the Congress which
19 he deems advisable upon receipt of any such annual report.

20 SEC. 303. (a) All bonds, notes, debentures, and other
21 similar obligations which are hereafter issued by any wholly
22 owned or mixed-ownership Government corporation and
23 offered to the public shall be in such forms and denomina-
24 tions, shall have such maturities, shall bear such rates of
25 interest, shall be subject to such terms and conditions, shall

1 be issued in such manner and at such times and sold at such
2 prices as have been or as may be approved by the Secretary
3 of the Treasury.

4 (b) Hereafter, no wholly owned or mixed-ownership
5 Government corporation shall sell or purchase any direct obli-
6 gation of the United States or obligation guaranteed as to
7 principal or interest, or both, for its own account and in its
8 own right and interest, at any one time aggregating in
9 excess of \$100,000, without the approval of the Secretary
10 of the Treasury: *Provided*, That the Secretary of the Treas-
11 ury may waive the requirement of his approval with respect
12 to any transaction or classes of transactions subject to the
13 provisions of this subsection for such period of time and
14 under such conditions as he may determine.

15 (c) The Secretary of the Treasury is hereby author-
16 ized to exercise any of the functions vested in him by this
17 section through any officer or employee of any Federal
18 agency whom he may designate, with the concurrence of
19 the head of the agency concerned, for such purpose.

20 (d) Any mixed-ownership Government corporation
21 from which Government capital has been entirely withdrawn
22 shall not be subject to the provisions of section 302 or of this
23 section during the period such corporation remains without
24 Government capital. The provisions of subsections (a) and
25 (b) of this section shall not be applicable to Federal Inter-

1 mediate Credit Banks, Production Credit Corporations, the
2 Central Bank for Cooperatives, the Regional Banks for
3 Cooperatives, or the Federal Land Banks, except that each
4 such corporation shall be required to consult with the Secre-
5 tary of the Treasury prior to taking any action of the kind
6 covered by the provisions of subsections (a) and (b) of this
7 section, and in the event an agreement is not reached, the
8 Secretary of the Treasury may make a report in writing
9 to the corporation, to the President, and to the Congress
10 stating the grounds for his disagreement.

11 SEC. 304. (a) No corporation shall be created, organ-
12 ized, or acquired hereafter by any officer or agency of the
13 Federal Government or by any Government corporation for
14 the purpose of acting as an agency or instrumentality of the
15 United States, except by Act of Congress or pursuant to an
16 Act of Congress specifically authorizing such action.

17 (b) No wholly owned Government corporation created
18 by or under the laws of any State, Territory, or possession
19 of the United States or any political subdivision thereof, or
20 under the laws of the District of Columbia, shall continue
21 after June 30, 1948, as an agency or instrumentality of the
22 United States, and no funds of, or obtained from, the United
23 States or any agency thereof, including corporations, shall
24 be invested in or employed by any such corporation after that
25 date, except for purposes of liquidation. The proper corpo-

1 rate authority of every such corporation shall take the neces-
2 sary steps to institute dissolution or liquidation proceedings
3 on or before that date: *Provided*, That prior thereto any
4 such corporation may be reincorporated by Act of Congress
5 for such purposes and term of existence and with such pow-
6 ers, privileges, and duties as authorized by such Act, includ-
7 ing the power to take over the assets and assume the liabili-
8 ties of its respective predecessor corporation.

Passed the House of Representatives September 12, 1945.

Attest:

SOUTH TRIMBLE,

Clerk.

AN ACT

To provide for financial control of Government corporations.

SEPTEMBER 14 (legislative day, SEPTEMBER 10), 1945
Read twice and referred to the Committee on
Banking and Currency

NOVEMBER 2 (legislative day, OCTOBER 29), 1945
Reported without amendment

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued November 26, 1945, for actions of Friday, November 23, 1945)

(For staff of the Department only)

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HIGHLIGHTS: Senate passed Government-corporations bill. Senate committee reported bill transferring Interior's fur-animal activities to this Department. Senate committee reported rationing-termination resolution. House conferees appointed on appropriation-rescission bill. Secretary Anderson's rationing-termination announcement inserted. Department's poultry-subsidizing plan criticized.

NOTE: We understand that the House hearings on the 1947 agricultural appropriation bill have tentatively been scheduled to begin Jan. 14.

SENATE

1. GOVERNMENT CORPORATIONS. Passed without amendment H.R. 3660, to provide for financial control of Government corporations (pp. 11093, 11111). (For provisions see Digest 135.) This bill will now be sent to the President.
2. ANIMAL INDUSTRY. The Agriculture and Forestry Committee reported with amendment S. 566, to provide for the transfer of Interior's fur-animal activities to this Department (S.Rept. 783)(p. 11071).
3. RATIONING; DAIRY AND MEAT INDUSTRY. The Agriculture and Forestry Committee reported without amendment S. Res. 185, to express the sense of the Senate that this Department should order OPA to cease rationing of butter, oleomargarine, fats and oils, and meat as soon as practicable, but in no case later than Dec. 1, 1945 (pp. 11071-2).
4. MISSOURI VALLEY AUTHORITY. Received a Omaha River Development Association resolution opposing S. 555, the MVA bill, and urging appropriations for the present development program of the Missouri River Basin (p. 11071).
5. RURAL REHABILITATION. The Agriculture and Forestry Committee reported with amendments S. 704, to authorize the Secretary of Agriculture to continue administration of and ultimately liquidate Federal rural rehabilitation projects (S. Rept. 784)(p. 11071).
6. LANDS. The Agriculture and Forestry Committee reported without amendment S. 1471, to transfer certain lands in Limestone County to Tex. (S.Rept. 785)(p. 11071).

7. FORESTRY. Passed without amendment H.R.608, to exclude certain lands in Deschutes County, Oreg., from the provisions of R.S. 2319-37, relating to the promotion of the development of the mining resources of the U.S. (p. 11110). This bill will now be sent to the President.
8. BANKRUPTCY. Judiciary Committee reported without amendment S. 343, to amend the Bankruptcy Act so as to remove the legal incompatibility between the office of U.S. Commissioner and referee in bankruptcy (S.Rept. 787)(p. 11071); S. 345, relating to the method of payment of the compensation of U.S. commissioners (S. Rept. 789)(p. 11071); S. 346, to amend the act of May 28, 1896, prescribing fees of U.S. commissioners (S.Rept. 790)(p. 11071); and H.R. 2465, to amend the act of May 28, 1896, so as to provide that nothing therein shall preclude a referee in bankruptcy or a national park commissioner from appointment also as a U.S. commissioner (S.Rept. 791)(p. 11071).
9. PERSONNEL. Passed without amendment H.R.1512, to amend the Pay Readjustment Act so as to provide for the computation of double-time credits awarded between 1898 and 1912 in determining retired pay (p. 11094). This bill will now be sent to the President.
Passed with amendment S. 890, to amend the Civil Service Retirement Act so as to provide that annuities of persons who retired before Jan. 24, 1942, shall be recomputed and paid in accordance with the provisions of Sec. 4 of the act of Jan. 24, 1942 (p. 11109).
Passed with amendment S. 1560, to extend reemployment benefits to former members of the WAAC's who entered the WAC's (p. 11106).
Discussed and passed over S. 1415, to provide for increasing Federal-pay rates (pp. 11107-8).
Discussed and passed over H.R.2716, to provide for health programs for Government employees.(pp. 1108-9).
10. ADMINISTRATIVE LAW. At the request of Sen. Donnell, Mo., passed over S.7, to improve the administration of justice by prescribing fair administrative procedure (pp. 11109-10). (For provisions see Digest 206.)
11. MINERALS. Agreed to S. Con. Res. 22, calling upon the Secretary of the Interior for a report upon the minerals situation of the U.S. (p. 11109).
Discussed and at the request of Sen. McCarran, Nev., passed over S. 1483, providing for the suspension of annual assesment work on mining claims held by location in the U.S., including Alaska (p. 11110).
12. PHILIPPINE REHABILITATION. At the request of Sen. Taft, Ohio, passed over S. 1610, to provide for rehabilitation of the Philippine Islands (p. 11110).
13. NOMINATION. Confirmed the nomination of William McChesney Martin, Jr., to be a member of the Board of Directors of the Export-Import Bank (pp. 11112-3).
14. SUGAR; GRAINS. Sen. Capper, Kans., inserted a Kans. Federation of Women's Clubs resolution protesting the use of sugar and grains in the manufacture of liquor (p. 11071).
15. ANIMAL DISEASES. Sen. Capper, Kans., inserted an American Veterinary Medical Association resolution urging legislation to strengthen safeguards against the importation of diseased livestock (p. 11071).
16. INFLATION; PRICES; WAGES. Sen. Taft, Ohio, criticized the wage-price policy, Government expenditures, OPA price policies, and living standards with respect to possible inflation (pp. 11082-7). (See also item 38).

sary or desirable in the interest of the national defense and security, and the President has notified the Congress to that effect: *Provided further.*"

MRS. CATHERINE DRIGGERS AND HER MINOR CHILDREN

The bill (H. R. 801) for the relief of Mrs. Catherine Driggers and her minor children, was considered, ordered to a third reading, read the third time, and passed.

LESLIE O. ALLEN

The bill (H. R. 2520) for the relief of Leslie O. Allen, was considered, ordered to a third reading, read the third time, and passed.

WILLIAM WILSON WURSTER

The bill (S. 1448) for the relief of William Wilson Wurster was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

ESTATE OF ALEXANDER McLEAN,
DECEASED

The bill (H. R. 2027) for the relief of the estate of Alexander McLean, deceased, was considered, ordered to a third reading, read the third time, and passed.

JOHN J. GALL

The bill (H. R. 2160) for the relief of John J. Gall was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF FRANZ TILMAN, DECEASED

The bill (H. R. 2166) for the relief of the estate of Franz Tilman, deceased, was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF ED EDMONDSON

The bill (H. R. 2481) for the relief of the estate of Ed Edmondson was considered, ordered to a third reading, read the third time, and passed.

ARLETHIA ROSSER

The bill (H. R. 2399) for the relief of Arlethia Rosser was considered, ordered to a third reading, read the third time, and passed.

CAPT. WERNER HOLTZ

The bill (H. R. 2479) for the relief of Capt. Werner Holtz was considered, ordered to a third reading, read the third time, and passed.

MRS. EVELYN JOHNSON

The bill (H. R. 2642) for the relief of Mrs. Evelyn Johnson was considered, ordered to a third reading, read the third time, and passed.

FLORENCE ZIMMERMAN

The bill (H. R. 2241) for the relief of Florence Zimmerman was considered, ordered to a third reading, read the third time, and passed.

ANNIE M. LANNON

The bill (H. R. 1956) for the relief of Annie M. Lannon was considered, ordered to a third reading, read the third time, and passed.

G. F. ALLEN

The bill (H. R. 3137) for the relief of G. F. Allen, chief disbursing officer,

Treasury Department, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

JAMES ALVES SAUCIER

The bill (S. 831) for the relief of James Alves Saucier was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to James Alves Saucier, of Poplarville, Miss., the sum of \$3,000, in full satisfaction of his claim against the United States for compensation for personal injuries sustained by him when he was struck by a United States Army truck at the Gulfport Army Airfield, Mississippi, on August 24, 1942: *Provided,* That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

OSCAR S. REED

The bill (S. 1077) for the relief of Oscar S. Reed was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Oscar S. Reed, of Auburndale, Mass., the sum of \$350, in full satisfaction of his claim against the United States for compensation for personal injuries and loss of earnings sustained by him as a result of an accident which occurred when the automobile in which he was riding was struck by a United States Navy vehicle, at Portsmouth, N. H., on August 20, 1944: *Provided,* That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

CHRISTIAN H. KREUSLER

The bill (H. R. 3302) for the relief of Christian H. Kreusler was considered, ordered to a third reading, read the third time, and passed.

FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

The bill (H. R. 3660) to provide for financial control of Government corporations was announced as next in order.

Mr. HILL. Over.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. BUTLER subsequently said: Mr. President, for just a moment I should like to have the attention of the acting majority leader, the Senator from Alabama [Mr. HILL], concerning order No. 698, which he asked to have go over.

It is clear, as the Senator indicates, that this is a very important piece of legislation. It has been before the Congress for many months. It originated in the Senate. A similar bill was introduced in

the House, where it was amended to some extent, and passed unanimously by the House last September. The House bill came to the Senate, and a subcommittee of the Committee on Banking and Currency and the full committee reported unanimously in favor of accepting the House version of the bill. It is the House bill which is on the calendar today, instead of the original Senate bill.

It is of considerable importance, Mr. President, that the Comptroller General's office know at a reasonably early date whether they are to administer the proposed act during the coming year. I should like to have the assurance of the acting majority leader that the bill may be considered at an early date in order to accommodate the Comptroller General.

Mr. HILL. As the distinguished Senator from Nebraska knows, I am acting as leader only temporarily. As an individual I may say that I shall be glad to cooperate and collaborate with the Senator to the end that the bill may receive early consideration by the Senate.

Mr. TAFT. Mr. President, I suggest that we might take it up at the end of the consideration of the calendar today, if there is to be no substantial debate.

Mr. HILL. I shall endeavor to ascertain the facts about the bill and advise the Senator from Nebraska later as we proceed with the calendar.

LEAVE OF ABSENCE

Mr. HATCH. Mr. President, earlier in the day I said it would be necessary for me to be absent from Washington for some time because of certain previous engagements. I now ask unanimous consent that I may be absent from the sessions of the Senate until the business which calls me away is completed.

The PRESIDENT pro tempore. Without objection, consent of the Senate is granted.

PAY AND ALLOWANCES OF MEMBERS OF NAVY NURSE CORPS

The bill (S. 1491) to adjust the pay and allowances of members of the Navy Nurse Corps, and for other purposes, was announced as next in order.

Mr. WALSH. Mr. President, there is a House bill on the calendar on the same subject, House bill 4411, order of business 702, and I ask that that bill be substituted for the Senate bill and be now considered.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the bill (H. R. 4411) to adjust the pay and allowances of members of the Navy Nurse Corps, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

The PRESIDENT pro tempore. Without objection, Senate bill 1491 will be indefinitely postponed.

EXEMPTION OF NAVY OR COAST GUARD VESSELS FROM CERTAIN REQUIREMENTS

The Senate proceeded to consider the bill (S. 1494) to exempt Navy or Coast Guard vessels of special construction from requirements as to the number,

position, range, or arc of visibility of lights and for other purposes; which had been reported from the Committee on Naval Affairs, with amendments, on page 2, line 15, after the words "Secretary of the Navy", to insert "or the Secretary of the Treasury in the case of Coast Guard vessels operating under the Treasury Department"; on line 17, after the word "as", to strike out "he" and insert "either", and on page 3, line 1, to add a new section, as follows:

SEC. 2. When the Secretary of the Navy or the Secretary of the Treasury, or such official or officials as either may designate, shall make any finding or certification as prescribed in section 1, notice of such finding or certification and the character and position of the lights to be displayed on such vessels shall be published in "Notice to Mariners."

So as to make the bill read:

Be it enacted, etc., That any requirement as to the number, position, range of visibility, or arc of visibility of lights required to be displayed by vessels under the act of Congress approved August 19, 1890 (title 33, U. S. C., secs. 61-141), entitled "An act to adopt regulations for preventing collisions at sea"; or the act of Congress approved June 7, 1897 (title 33, U. S. C., secs. 154-231), entitled "An act to adopt regulations for preventing collision upon certain harbors, rivers, and inland waters of the United States"; or the act of Congress approved February 8, 1895 (title 33, U. S. C., secs. 241-294), entitled "An act to regulate navigation on the Great Lakes and their connecting and tributary waters"; or the act of Congress approved August 19, 1890 (title 33, U. S. C., secs. 301-351), entitled "An act to adopt special rules for the navigation of harbors, rivers, and inland waters of the United States, except the Great Lakes and their connecting and tributary waters as far east as Montreal, supplementary to the act of August 19, 1890, entitled 'An act to adopt regulations for preventing collisions at sea'", and all laws amendatory thereto, shall not apply to any vessel of the Navy or of the Coast Guard, where the Secretary of the Navy, or the Secretary of the Treasury in the case of Coast Guard vessels operating under the Treasury Department, or such official or officials as either may designate, shall find or certify that, by reason of special construction, it is not possible with respect to such vessel or class of vessels to comply with the statutory provisions as to the number, position, range of visibility, or arc of visibility of lights. The lights of any such exempted vessel or class of vessels shall, however, comply as closely to the requirements of the applicable statutes as the Secretary shall find to be feasible.

SEC. 2. When the Secretary of the Navy or the Secretary of the Treasury, or such official or officials as either may designate, shall make any finding or certification as prescribed in section 1, notice of such finding or certification and the character and position of the lights to be displayed on such vessel shall be published in "Notice to Mariners."

SEC. 3. This act shall expire on June 30, 1948.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

APPOINTMENT OF CERTAIN PERSONS AS BRIGADIER GENERALS OF THE REGULAR ARMY

The bill (S. 1532) to authorize the appointment of certain persons as permanent brigadier generals of the line of the

Regular Army was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That, notwithstanding any other provision of law, the President, by and with the advice and consent of the Senate, is authorized to appoint as permanent brigadier generals of the line of the Regular Army the following persons: Hoyt S. Vandenberg, presently serving in the temporary grade of lieutenant general in the Army of the United States; James H. Doolittle, presently serving in the temporary grade of lieutenant general in the Army of the United States; Raymond S. McLain, presently serving in the temporary grade of lieutenant general in the Army of the United States; Curtis E. LeMay, presently serving in the temporary grade of major general in the Army of the United States; and Lauris Norstad, presently serving in the temporary grade of major general in the Army of the United States.

SEC. 2. Any persons appointed pursuant to the provisions of the first section of this act shall be counted for the purposes of provisions of law establishing the authorized number of brigadier generals of the line of the Regular Army.

APPOINTMENT OF ADDITIONAL PERMANENT MAJOR GENERALS AND BRIGADIER GENERALS IN THE REGULAR ARMY

The bill (S. 1533) to authorize the appointment of certain additional permanent major generals and brigadier generals of the line of the Regular Army, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the President, by and with the advice and consent of the Senate, is authorized to appoint as permanent major generals of the line of the Regular Army the following officers of the Regular Army serving in the temporary grade of major general in the Army of the United States: Edward P. King, Jr., William F. Sharp, George F. Moore, George M. Parker, Jr., and Albert M. Jones.

SEC. 2. The President, by and with the advice and consent of the Senate, is authorized to appoint as permanent brigadier generals of the line of the Regular Army the following officers of the Regular Army serving in the temporary grade of brigadier general in the Army of the United States: Clifford Bluemel, James R. N. Weaver, Maxon S. Lough, William E. Brougner, Joseph P. Vachon, Charles C. Drake, Bradford G. Chynoweth, Clinton A. Pierce, Arnold J. Funk, and Lewis C. Beebe.

SEC. 3. The President, by and with the advice and consent of the Senate, is authorized to appoint Luther R. Stevens, an officer of the Philippine Constabulary serving as a temporary brigadier general in the Philippine Army, as a permanent brigadier general of the line of the Regular Army.

SEC. 4. Effective as of the date of his relief from active duty, Carl H. Seals, a retired officer of the Regular Army serving on active duty as a temporary brigadier general in the Army of the United States, shall be advanced on the retired list of the Regular Army to the grade of brigadier general, and shall receive the retired pay provided by law for officers retired in that grade.

SEC. 5. Any persons appointed pursuant to the provisions of section 1, 2, or 3 of this act shall be additional general officers of the line of the Regular Army in the grades to which so appointed and shall not be counted for the purposes of provisions of law establishing the authorized numbers of general officers of the line of the Regular Army. Nothing in this act shall be deemed permanently to increase the authorized number of general officers of the line of the Regular Army or to authorize

the appointment in the grade of general officer of the line of any successor to any such person.

COMPUTATION OF DOUBLE-TIME CREDITS IN DETERMINING RETIRED PAY

The bill (H. R. 1512) to amend section 9 of the Pay Readjustment Act of 1942 (Public Law 607) by providing for the computation of double-time credits awarded between 1898 and 1912 in determining retired pay was considered, ordered to a third reading, read the third time, and passed.

FLORENTINE H. KEELER AND OTHERS

The bill (H. R. 1961) for the relief of Florentine H. Keeler and others was considered, ordered to a third reading, read the third time, and passed.

ROBERT A. HUDSON

The bill (H. R. 4018) for the relief of Robert A. Hudson was considered, ordered to a third reading, read the third time, and passed.

NANNIE BASS

The bill (H. R. 875) for the relief of Nannie Bass was considered, ordered to a third reading, read the third time, and passed.

SUE FLIPPIN BRATTON

The Senate proceeded to consider the bill (H. R. 3198) for the relief of the legal guardian of Sue Flippin Bratton, a minor, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the words "sum of", to strike out "\$10,030" and insert in lieu thereof "\$8,030."

Mr. McKELLAR. Mr. President, I should like to be heard on this bill. This case involves a young lady of Lafayette, Tenn., who while a passenger in an automobile was injured because of the negligence of military authorities. A bill was introduced in the House of Representatives by Representative GORE providing for the payment of \$25,000. The young lady was very seriously injured. The House passed the bill allowing her \$10,000.

When the bill came to the Senate it went to the Committee on Claims, and that committee allowed only \$8,000. I have a letter from Representative GORE which I should like to have printed in the RECORD which states that that sum is wholly inadequate. I ask to have the letter printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., November 10, 1945.
Hon. KENNETH MCKELLAR,
Senate Office Building,
Washington, D. C.

DEAR SENATOR MCKELLAR: Your Committee on Claims has favorably reported my bill, H. R. 3198, for the relief of Sue Flippin Bratton, but they have amended it by reducing the amount to \$8,030. The same thing was attempted in the House and after a floor fight the House supported \$10,000.

Even \$10,000 is a measly amount for what has happened to this young lady—a beautiful girl of 18 made an invalid for the rest of her life. I don't see why the Government should be niggardly. It may be that custom will prevent an increase being made, but certainly \$10,000 is small enough. I introduced

time, and I now move that the bill be recommitted to the Committee on the Judiciary.

Mr. ELLENDER. Mr. President, the Committee on Claims has been considering similar bills for the past 8 or 10 years to my own knowledge, and I see no reason at all why the bill should be transferred to the Committee on the Judiciary.

Mr. McCARRAN. It is not a matter which pertains to a claim. It is entirely a matter which pertains to the jurisdiction of a court.

The PRESIDING OFFICER. The Chair is advised by the Parliamentarian that the bill was properly referred to the Committee on Claims because the bill would grant the Court of Claims the right to hear a case involving a certain claim.

Mr. McCARRAN. That is a matter which has been handled by the Committee on the Judiciary right straight along. I desire to draw the attention of the Senate to the language of the bill:

That jurisdiction is hereby conferred upon the Court of Claims of the United States, notwithstanding any prior determination—

And so forth. In other words, this is the conferring of jurisdiction of a specific matter to a specific court. It is a matter which belongs to the Committee on the Judiciary.

The PRESIDING OFFICER. Does the Senator from Nevada insist upon his motion to refer the bill to the Committee on the Judiciary?

Mr. McCARRAN. No. I ask that the bill go over at this time.

The PRESIDING OFFICER. The bill will be passed over.

ESTATE OF THOMAS MCGARROLL

The Senate proceeded to consider the bill (H. R. 3390) for the relief of the estate of Thomas McGarroll, which had been reported from the Committee on Claims, with an amendment, on page 1, line 6, after the words "sum of", to strike out "\$5,926.50" and insert "\$5,571.50."

The amendment was agreed to.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

CARL LEWIS

The bill (H. R. 1142) for the relief of Carl Lewis was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF JOHN R. BLACKMORE AND LOUISE D. BLACKMORE

The bill (H. R. 2300) for the relief of the estate of John R. Blackmore and Louise D. Blackmore was considered, ordered to a third reading, read the third time, and passed.

WESLEY J. STEWART

The bill (H. R. 2029) for the relief of Wesley J. Stewart was considered, ordered to a third reading, read the third time, and passed.

PATRICK A. KELLY

The bill (H. R. 2595) for the relief of Patrick A. Kelly was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF ALFRED LEWIS COSSON, DECEASED, AND OTHERS

The bill (H. R. 1960) for the relief of the estate of Alfred Lewis Cosson, deceased, and others, was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF HARPER THEODORE DUKE, JR.

The bill (H. R. 2886) for the relief of the estate of Harper Theodore Duke, Jr., was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF MATTIE LEE BROWN, DECEASED

The bill (H. R. 1316) for the relief of the estate of Mattie Lee Brown, deceased, was considered, ordered to a third reading, read the third time, and passed.

TRAVEL PAY AND OTHER ALLOWANCES TO CERTAIN SOLDIERS OF THE WAR WITH SPAIN, AND SO FORTH

The bill (H. R. 1192) granting travel pay and other allowances to certain soldiers of the war with Spain and the Philippine Insurrection, who were discharged in the Philippine Islands, was considered, ordered to a third reading, read the third time, and passed.

JAY H. McCLEARY

The bill (H. R. 1978) for the relief of Jay H. McCleary was considered, ordered to a third reading, read the third time, and passed.

FRANCIS A. HANLEY

The bill (H. R. 843) for the relief of Francis A. Hanley was considered, ordered to a third reading, read the third time, and passed.

SYBIL GEORGETTE TOWNSEND

The bill (H. R. 850) for the relief of Sybil Georgette Townsend was considered, ordered to a third reading, read the third time, and passed.

ROLLA DUNCAN

The bill (H. R. 3225) for the relief of Rolla Duncan was considered, ordered to a third reading, read the third time, and passed.

JOHN HAMES

The bill (H. R. 3011) for the relief of John Hames was considered, ordered to a third reading, read the third time, and passed.

ANGELO GIANQUITTI AND GEORGE GIANQUITTI

The bill (H. R. 2836) for the relief of Angelo Gianquitti and George Gianquitti was considered, ordered to a third reading, read the third time, and passed.

DR. J. D. WHITESIDE AND ST. LUKE'S HOSPITAL

The Senate proceeded to consider the bill (H. R. 2930) for the relief of Dr. J. D. Whiteside and St. Luke's Hospital which had been reported from the Committee on Claims, with amendments, on page 1, line 5, after the words "sum of", to strike out "\$3,259" and insert "\$1,888"; and in line 7, after the words "sum of", to strike out "\$7,828.66" and insert "\$4,596.16."

The amendments were agreed to.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

The PRESIDING OFFICER. That concludes the bills on the calendar.

FINANCIAL CONTROL OF GOVERNMENT CORPORATIONS

Mr. HILL. Mr. President, when the House bill 3660, Calendar No. 698, to provide for financial control of Government corporations, was reached on the calendar I asked that the bill go over. Since asking that the bill go over I have consulted with the distinguished majority leader, the Senator from Kentucky [Mr. BARKLEY], who is a member of the Committee on Banking and Currency, which reported the bill. The distinguished Senator from Kentucky advises me there is no objection to the bill of which he is aware, and he knows of no reason why the bill should not be passed at this time. Therefore, Mr. President, I withdraw the objection I interposed.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill.

There being no objection, the bill (H. R. 3660) to provide for financial control of Government corporations was considered, ordered to a third reading, read the third time, and passed.

CONSIDERATION OF CERTAIN CLAIMS BILLS

Mr. ELLENDER. Mr. President, there are on the desk five bills reported during the recess from the Committee on Claims. Favorable reports have been received on all five bills from the various departments involved. I ask unanimous consent that the five bills may be considered at this time.

Mr. WHITE. Mr. President, reserving the right to object, I ask the Senator when the bills were reported.

Mr. ELLENDER. They were reported from the Committee on Claims today. They were supposed to have been reported during the recess of the Senate.

Mr. WHITE. Are they all claims bills?

Mr. ELLENDER. Yes; they are all claim bills.

Mr. WHITE. Do they come with a unanimous report from the Committee on Claims?

Mr. ELLENDER. That is correct.

Mr. HILL. As I understand, these are all bills for the settlement of private claims of individual citizens.

Mr. ELLENDER. That is correct.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none.

CHARLES R. HOOPER

The bill (S. 1480) for the relief of Charles R. Hooper was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Charles R. Hooper, of Washington, D. C., the sum of \$6,000, in full settlement of all claims against the United States for personal injuries sustained by Charles R. Hooper while

employed in the United States navy yard at Washington, D. C., in the year 1894: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

MILDRED E. WALDRON

The Senate proceeded to consider the bill (S. 976) for the relief of Mildred E. Waldron, which had been reported from the Committee on Claims with amendments, on page 1, line 5, after the word "of", to strike out "\$10,000" and insert "\$5,000"; in line 6, after the word "to", to strike out "Mildred E. Waldron" and insert "the estate of Howard Francis Waldron"; in line 7, after the word "of", to strike out "her claim" and insert "all claims"; and in line 8, after the word "of", to strike out "her husband" and insert "the said", so as to make the bill read:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, the sum of \$5,000, to the estate of Howard Francis Waldron, of Minneapolis, Minn., in full satisfaction of all claims against the United States for compensation for the death, on April 25, 1944, of the said Howard Francis Waldron, who was killed by the right rear wheel of a United States Government truck which began to move as he was boarding it near Cathedral Bluffs, Alaska: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill for the relief of the estate of Howard Francis Waldron."

HAROLD E. BULLOCK

The Senate proceeded to consider the bill (S. 905) for the relief of Harold E. Bullock, which had been reported from the Committee on Claims with amendments, on page 1, line 7, after the word "compensation", to strike out "for personal injury sustained by him and"; and in line 10, after the word "which", to strike out "they were" and insert "she was", so as to make the bill read:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Harold E. Bullock, of Las Vegas, Nev., the sum of \$5,000, in full satisfaction of his claim against the United States for compensation and for the death of his wife, Mrs. Harold E. Bullock, as a result of personal injuries sustained by her, when the automobile in which she was riding was struck by a United States Army vehicle on Highway No. 66, near Oro Grande, Calif., on July 27, 1943: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or de-

livered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

MR. AND MRS. ALLAN F. WALKER

The Senate proceeded to consider the bill (S. 1294) for the relief of Mr. and Mrs. Allan F. Walker, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the word "of", where it occurs the first time, to strike out "\$5,000" and insert "\$2,500," so as to make the bill read:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Mr. and Mrs. Allan F. Walker, of Sepulveda, Calif., the sum of \$2,500, in full satisfaction of their claims against the United States for compensation for the death of their son, Dennis Allan Walker, who died as a result of burns received by him when a United States Army airplane crashed at 9363 Burnet Avenue, in Sepulveda, Calif., on January 25, 1945: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

WAYNE EDWARD WILSON

The Senate proceeded to consider the bill (S. 1338) for the relief of Wayne Edward Wilson, a minor, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, to strike out "\$10,000" and insert "\$3,000", so as to make the bill read:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the legal guardian of Wayne Edward Wilson, a minor, of Lebanon, Del., the sum of \$3,000 in full satisfaction of all claims against the United States for compensation for personal injuries sustained by the said Wayne Edward Wilson, on August 28, 1944, and for reimbursement of medical, hospital, and other expenses incurred by him, as a result of his being burned when he came into contact with a cable hanging from a live electric wire, near Lebanon, Del., such cable having been dropped onto the electric wire from a United States Army airplane: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill for the relief of the legal guardian of Wayne Edward Wilson, a minor."

The PRESIDING OFFICER. That is the last bill included in the request of the Senator from Louisiana.

REFERENCE MANUAL OF GOVERNMENT CORPORATIONS

Mr. BUTLER. Mr. President, I should like to say a word of appreciation to the acting majority leader for the reconsideration of House bill 3660.

In that connection, in July last, at the close of the session before the recess, the distinguished majority leader asked that a certain report prepared by the Comptroller General listing all Government corporations be made a Senate Document. It was so ordered. The document has been printed as Senate Document 86. I wish to make that statement for the benefit of Senators, because I know that they will all wish to refer to Senate document 86. I hope they will obtain copies and refer to it in connection with the bill to which I have referred.

EXECUTIVE SESSION

Mr. HILL. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. HAYDEN in the chair) laid before the Senate messages from the President of the United States, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. THOMAS of Utah, from the Committee on Military Affairs:

General of the Army Dwight David Eisenhower, Army of the United States, for appointment in the Regular Army of the United States as the Chief of Staff with the rank of General of the Army, for a period of 4 years from November 19, 1945, vice General of the Army George Catlett Marshall, the Chief of Staff.

By Mr. WALSH, from the Committee on Naval Affairs:

Fleet Admiral Chester W. Nimitz to be Chief of Naval Operations in the Department of the Navy, for a term of 2 years.

By Mr. MCKELLAR, from the Committee on Post Offices and Post Roads:

Sundry postmasters.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will state the nominations on the Executive Calendar.

EXPORT-IMPORT BANK OF WASHINGTON

The Chief Clerk read the nomination of William McChesney Martin, Jr. to be a member of the Board of Directors of the Export-Import Bank of Washington.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Herbert E. Gaston to be a member of

[PUBLIC LAW 248—79TH CONGRESS]

[CHAPTER 557—1ST SESSION]

[H. R. 3660]

AN ACT

To provide for financial control of Government corporations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Government Corporation Control Act".

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

TITLE I—WHOLLY OWNED GOVERNMENT
CORPORATIONS

SEC. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; Federal Intermediate Credit Banks; Production Credit Corporations; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; the RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; The Virgin Islands Company; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Homé Owners' Loan Corporation; United States Housing Corporation; Panama Railroad Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated.

SEC. 102. Each wholly owned Government corporation shall cause to be prepared annually a budget program, which shall be submitted

to the President through the Bureau of the Budget on or before September 15 of each year. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which such budget program shall be prepared and presented. The budget program shall be a business-type budget, or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The budget program shall contain estimates of the financial condition and operations of the corporation for the current and ensuing fiscal years and the actual condition and results of operation for the last completed fiscal year. Such budget program shall include a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds, and such other supplementary statements and information as are necessary or desirable to make known the financial condition and operations of the corporation. Such statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

SEC. 103. The budget programs of the corporations as modified, amended, or revised by the President shall be transmitted to the Congress as a part of the annual Budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget programs may be submitted from time to time.

Budget programs shall be submitted for all wholly owned Government corporations covering operations for the fiscal year commencing July 1, 1946, and each fiscal year thereafter.

SEC. 104. The budget programs transmitted by the President to the Congress shall be considered and, if necessary, legislation shall be enacted making available such funds or other financial resources as the Congress may determine. The provisions of this section shall not be construed as preventing wholly owned Government corporations from carrying out and financing their activities as authorized by existing law, nor shall any provisions of this section be construed as affecting in any way the provisions of section 26 of the Tennessee Valley Authority Act, as amended. The provisions of this section shall not be construed as affecting the existing authority of any wholly owned Government corporation to make contracts or other commitments without reference to fiscal-year limitations.

SEC. 105. The financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That such rules and regulations may provide for the retention at the offices of such corporations, in whole or in part, of any accounts of accountable officers, covering corporate financial transactions, which are required by existing law to be settled and adjusted

in the General Accounting Office, and for the settlement and adjustment of such accounts in whole or in part upon the basis of examinations in the course of the audit herein provided, but nothing in this proviso shall be construed as affecting the powers reserved to the Tennessee Valley Authority in the Act of November 21, 1941 (55 Stat. 775). The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act.

SEC. 106. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

SEC. 107. Whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest that any wholly owned Government corporation be treated with respect to its appropriations, expenditures, receipts, accounting, and other fiscal matters as if it were a Government agency other than a corporation, the Director shall include in connection with the budget program of such corporation in the Budget a recommendation to that effect. If the Congress approves such recommendation in connection with the budget program for any fiscal year, such corporation, with respect to subsequent fiscal years, shall be regarded as an establishment other than a corporation for the purposes of the Budget and Accounting Act, 1921, and other provisions of law relating to appropriations, expenditures, receipts, accounts, and other fiscal matters, and shall not be subject to the provisions of this Act other than this section. The corporate entity shall not be affected by this section.

TITLE II—MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

SEC. 201. As used in this Act the term "mixed-ownership Government corporations" means (1) the Central Bank for Cooperatives and the Regional Banks for Cooperatives, (2) Federal Land Banks, (3) Federal Home Loan Banks, and (4) Federal Deposit Insurance Corporation.

SEC. 202. The financial transactions of mixed-ownership Government corporations for any period during which Government capital has been invested therein shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act.

SEC. 203. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15, following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of, and the use of Government capital by, each such corporation, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

SEC. 204. The President shall include in the annual Budget any recommendations he may wish to make as to the return of Government capital to the Treasury by any mixed-ownership corporation.

TITLE III—GENERAL PROVISIONS

SEC. 301. (a) The expenses of auditing the financial transactions of wholly owned and mixed-ownership Government corporations as pro-

vided in sections 105 and 202 of this Act shall be borne out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized: *Provided*, That each such corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts: *Provided further*, That in making the audits provided in said sections the Comptroller General shall, to the fullest extent deemed by him to be practicable, utilize reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

(b) For the purpose of conducting such audit the Comptroller General is authorized in his discretion to employ not more than ten persons without regard to the Classification Act of 1923, as amended, only one of whom may be compensated at a rate of as much as but not more than \$10,000 per annum, and to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of firms and organizations for temporary periods or for special purposes.

(c) The audit provided in sections 105 and 202 of this Act shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the General Accounting Office for the purpose of a report to the Congress or to the President under any existing law.

(d) Unless otherwise expressly provided by law, no funds of any Government corporation shall be used to pay the cost of any private audit of the financial records of the offices of such corporation, except the cost of such audits contracted for and undertaken prior to April 25, 1945.

SEC. 302. The banking or checking accounts of all wholly owned and mixed-ownership Government corporations shall be kept with the Treasurer of the United States, or, with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a bank designated as a depository or fiscal agent of the United States: *Provided*, That the Secretary of the Treasury may waive the requirements of this section under such conditions as he may determine: *And provided further*, That this section will not apply to the establishment and maintenance in any bank for a temporary period of banking and checking accounts not in excess of \$50,000 in any one bank. The provisions of this section shall not be applicable to Federal Intermediate Credit Banks, Production Credit Corporations, the Central Bank for Cooperatives, the Regional Banks for Cooperatives, or the Federal Land Banks, except that each such corporation shall be required to report annually to the Secretary of the Treasury the names of the depositories in which such corporation keeps a banking or checking account, and the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress which he deems advisable upon receipt of any such annual report.

SEC. 303. (a) All bonds, notes, debentures, and other similar obligations which are hereafter issued by any wholly owned or mixed-ownership Government corporation and offered to the public shall be in such forms and denominations, shall have such maturities, shall

bear such rates of interest, shall be subject to such terms and conditions, shall be issued in such manner and at such times and sold at such prices as have been or as may be approved by the Secretary of the Treasury.

(b) Hereafter, no wholly owned or mixed-ownership Government corporation shall sell or purchase any direct obligation of the United States or obligation guaranteed as to principal or interest, or both, for its own account and in its own right and interest, at any one time aggregating in excess of \$100,000, without the approval of the Secretary of the Treasury: *Provided*, That the Secretary of the Treasury may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

(c) The Secretary of the Treasury is hereby authorized to exercise any of the functions vested in him by this section through any officer, or employee of any Federal agency whom he may designate, with the concurrence of the head of the agency concerned, for such purpose.

(d) Any mixed-ownership Government corporation from which Government capital has been entirely withdrawn shall not be subject to the provisions of section 302 or of this section during the period such corporation remains without Government capital. The provisions of subsections (a) and (b) of this section shall not be applicable to Federal Intermediate Credit Banks, Production Credit Corporations, the Central Bank for Cooperatives, the Regional Banks for Cooperatives, or the Federal Land Banks, except that each such corporation shall be required to consult with the Secretary of the Treasury prior to taking any action of the kind covered by the provisions of subsections (a) and (b) of this section, and in the event an agreement is not reached, the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress stating the grounds for his disagreement.

SEC. 304. (a) No corporation shall be created, organized, or acquired hereafter by any officer or agency of the Federal Government or by any Government corporation for the purpose of acting as an agency or instrumentality of the United States, except by Act of Congress or pursuant to an Act of Congress specifically authorizing such action.

(b) No wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof, or under the laws of the District of Columbia, shall continue after June 30, 1948, as an agency or instrumentality of the United States, and no funds of, or obtained from, the United States or any agency thereof, including corporations, shall be invested in or employed by any such corporation after that date, except for purposes of liquidation. The proper corporate authority of every such corporation shall take the necessary steps to institute dissolution or liquidation proceedings on or before that date: *Provided*, That prior thereto any such corporation may be reincorporated by Act of Congress for such purposes and term of existence and with such powers, privileges, and duties as authorized by such Act, including the power to take over the assets and assume the liabilities of its respective predecessor corporation.

Approved December 6, 1945.

